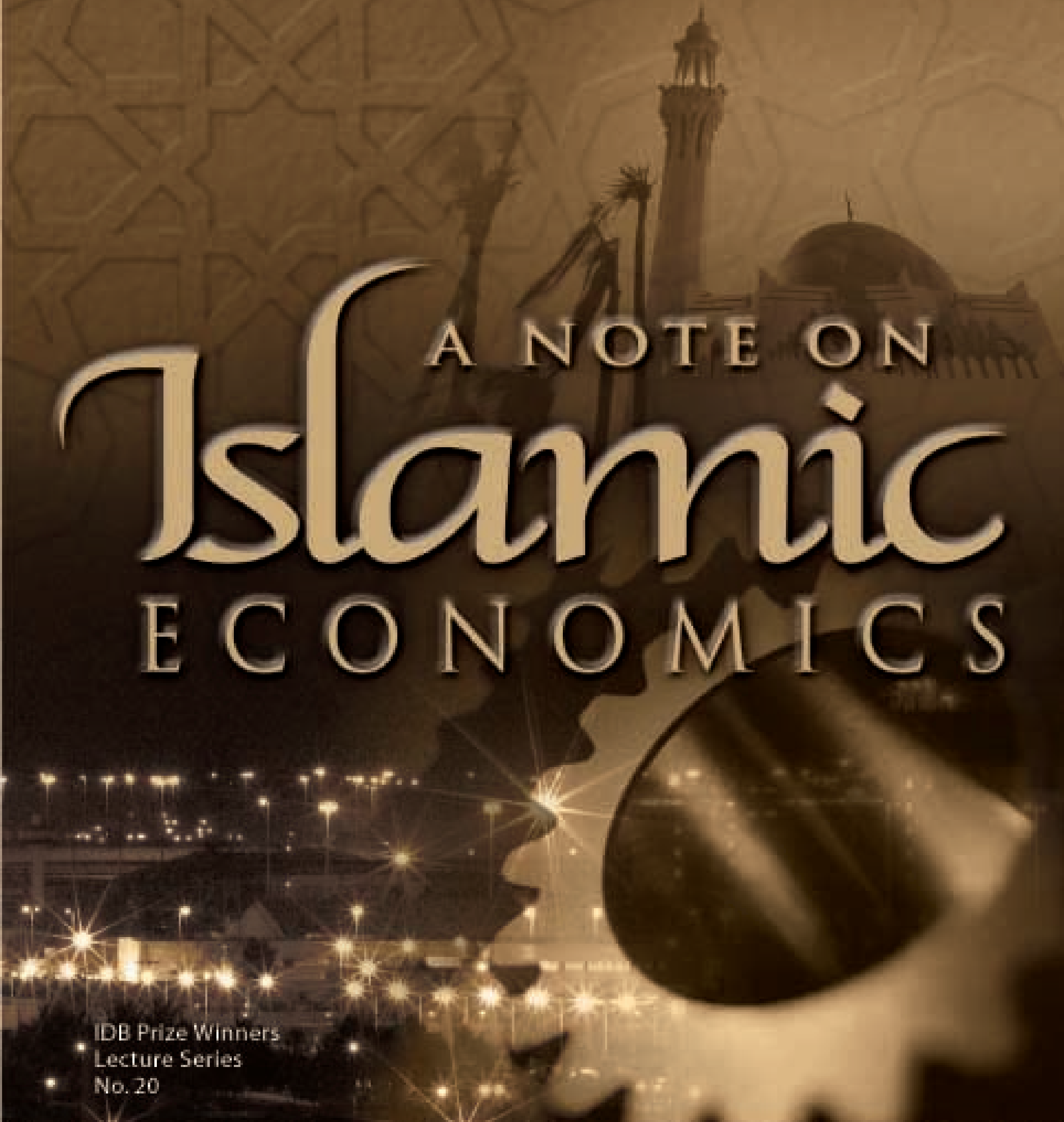
ISLAMIC RESEARCH AND TRAINING INSTITUTE
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# A NOTE ON Islamic ECONOMICS



IDB Prize Winners
Lecture Series
No. 20

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**ISLAMIC RESEARCH AND TRAINING INSTITUTE**
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**P.O. Box 9201, Jeddah 21413 , Kingdom of Saudi Arabia**
**Tel.: +966 2 636 1400, Fax: +966 2 637 8927, 636 6871**
**E-mail: irti@isdb.org**
**Website : www.irti.org**

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# A NOTE ON Islamic ECONOMICS

**Abbas Mirakhor**

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*Executive Director, International Monetary Fund (IMF). Views expressed here do not represent those of the IMF. Extensive comments by Dr. Iqbal Zaidi, Dr. Fahim Khan, Professor Hossein Askari, and Dr. Zamir Iqbal, and the excellent assistance of Mrs. Aida Hidayah are gratefully acknowledged. All errors and omissions are the sole responsibility of the author. Thanks are also due to Dr. Bashir Khallat, Acting Director of the Islamic Research and Training Institute, for the excellent arrangements and the kind hospitality during the presentation of this note at the Institute.

بسم الله الرحمن الرحيم

قال الله العليم في كتابه الكريم : "إن الله وملائكته يصلون على النبي ، يا أيها الذين آمنوا صلوا عليه وسلموا تسليما" اللهم صل على محمد وأل محمد كما صليت على إبراهيم وأل إبراهيم في العالمين أنك حميد مجيد .

"اللهم صل على محمد وآله ومتعني بالاقتصاد ، واجعلني من أهل السداد ، ومن أدلة الرشاد ، ومن صالحي العباد. ."

"اللهم صل على محمد وآله واحجبني عن الصرف والازدياد ، وقومني بالبذل والاقتصاد ، وعلمني حسن التقدير واقبضني بلطفك عن التبذير ، وأجر من أسباب الحلال رزقي ، ووجه في أبواب البر إنفاقي. . ." 1

## Contents

# I. Introduction

**1.** Systematic thinking about Islam and economics by professional economists has a short history compared to the atrophy that followed an earlier remarkable period of fervent scholarship in the sciences and humanities in the Muslim world. This 'hibernation', as Dr. Chapra calls it,[2] occurred after singular achievements in all areas of thought by Muslim scholars and dynamic economic growth of Muslim societies, and after the contributions, discoveries, and intermediation of Islamic sciences helped kick off the development and growth in Western societies and economies. From the present-day perspectives, however, and especially when judged against the first three decades of development of other disciplines, the published writings on the Islamic economics in various languages give a sense of a vibrant and energetic birth and infancy of a discipline. These efforts are directed toward the development of a coherent and rigorous explanation of how Islam proposes to organize an economic system by answering the fundamental questions of what should be produced, how and for whom, how decisions should be made and by whom, and, finally, how Islamic institutions could be revived to address modern societies' problems.

**2.** This assessment may seem odd against two present currents: the first is an expressed dissatisfaction with the pace and direction of progress made thus far in Islamic economics as well as an apparent cognitive dissonance among scholars regarding the concept, methodology, and objective of the discipline.[3] The second current is an expression of a strident New Weberian critique of Islam, in general, and Islamic economics, in particular, that views Islamic institutions and thought as inimical to growth and development of Muslim Societies.[4] Neither of these currents should come as a surprise to those engaged in serious scholarship and who follow developments in the Muslim world. The first is a feature of the natural development of disciplines; witness the continuing debates in traditional economics. For professionals to be self-critical in any discipline only helps to sow the seeds for further inquiry, thereby providing the potential, if not the impetus for new ideas. The second current is also natural, given the highly intense, charged, and noisy background of political developments of the last three decades. It is not surprising that this background would provide opportunities that, unfortunately, help to sustain particular phobias. Expressions of the detrimental effects of Islam and its institutions are not new; moreover, their most recent articulations are based on mere conjecture, or simple, spurious relationships and distortions designed to serve certain priors. On the other hand, there have been views rejecting the New Weberian thesis as, indeed, there were counterarguments against the 'Old' critique. The preliminary results of recent empirical research on the relationship between religion and economic growth seem to question the building blocks of this thesis; at least one recent systematic and methodologically defensible empirical study

concludes that 'Islam promotes growth'.[5] Neither the New Weberian thesis, nor the outrageous charge that the proponents of Islamic economics are basically anti-Western and that their writings feed into a presumed 'clash of civilization' could, or should, deter progress of Islamic economics. Criticism encourages presentation of views in the market place of ideas, particularly if they are forcefully challenged. However, it will not just rest there, but rather continue to contribute to the further development of the discipline.

**3.** The need to tap deeply into the legacy of the wealth of information in Islamic sources—the Quran, Sunnah, scholarly writings, *fiqh*, ethics, philosophy, history of Muslim societies, and history of thought—for the development of Islamic economics calls for patience with the pace of progress of the discipline. Sciences and disciplines grow in stages, and agreement among scholars regarding the analytical framework of any discipline provides a platform for progress. The outline of such a framework is emerging for Islamic economics, but clarification of the content of the framework and the specific details on a range of issues are just beginning to appear in the literature. Systematic and rigorous specification of the characteristics of the ideal economic system and of economic behavior that is consistent with Islamic injunctions would provide a benchmark for policies to bring reality closer to the ideal, which has to be an essential element of the content of the framework of Islamic economics. Any progress that results in a clear specification of the ideal, and which could command consensus among scholars, would depend in no small measure on the degree of precision and clarity embedded in the language of discourse proposed for the discipline. Scholars need a common language with agreed definitions of words, terms, and concepts, including a clear specification of the institutions that define the ideal Islamic economic system, and the individual and collective behavior expected in such a system. Islamic economics would then be in a position to analyze the reality in Muslim societies, compare it to the ideal, and suggest ways and means of either strengthening Islamic institutions where they exist or where they have not yet developed. Policies could be also recommended on how to establish them to achieve the objectives of the system, and how to correct the structure of existing institutions if they contradict or conflict with Islamic injunctions.

# II. Some Thoughts on the Islamic Economic Paradigm

**4**. This note is based on the propositions that:

a) Islam has a view on how to organize political, social, and economic systems based on a set of ontological and epistemological propositions regarding individuals and their collectivities.

b) Defining an economic system as a collection of institutions dealing with production, exchange, distribution and redistribution and defining institutions à la North as rules and norms, Islam proposes a distinct economic system that differs in many important respects from those recommended by other schools of thoughts regarding how an economy is to be organized.[6]

c) The behavioral rules and norms of an Islamic system—once clearly, rigorously, and analytically articulated in a way intelligible to economists—can yield empirically testable propositions which, in turn, could lead to policy analysis and recommendation on solutions to the problems of modern societies.

d) At the present, the most important function of Islamic economics, as a discipline, is to develop a language with enough precision that can lead to a consensus among researchers regarding the meaning and function of terms, ideas, rules, and norms. Given the large number of terms and concepts needed for proper analysis in the field, this may seem to be a daunting challenge.[7]

**5**. Considering that this is a period of infancy of the discipline, it is perhaps natural that a general sense of fuzziness permeates discourse on Islamic economics. If, for example, authors are native Arabic speakers, but also write on the subject in English, French, or German, it is not unusual to find different degrees of imprecision surrounding the same term translated into these languages. There are also writings on Islamic economics in Turkish, Malay, Farsi, Urdu, as well as in other languages, that further complicate the task. Part of this difficulty is inherent in translation, as pointed out by Professor Ali Khan.[8] This, however, does not absolve the present generation of researchers from the imperative of developing reasonably precise language for Islamic economics that can achieve a minimal degree of consensus. In this context, it is instructive to consider the progress of Islamic banking. While acknowledging the expressions of skepticism, and even cynicism, regarding the

present practices, it could be reasonably hypothesized that early consensus among scholars on two fundamental propositions, that: (i) interest is *riba*, and (ii) risk- and profit-sharing is the Islamic alternative, allowed progress in the theory and empirics of Islamic banking. This was done first through a systematic efforts that established economic understanding of Islamic ideas and, second, through derivation of analytic implications from the two consensus-based propositions. It is the contention of this note that similar approach in different areas of the field will be fruitful as Islamic economics passes from infancy into adolescence and maturity. This would be within the framework of Professor Ali Khan's 'grid of enquiry', which "simultaneously involves history, theory, and culture if the answers that we seek are to have a depth of understanding...a historically-and-theoretically-informed understanding," (p. 56 of his globalization paper, Islamic Economic Studies, Vol. 8, No. 1. Each of the eight propositions (questions) posed by Professor Ali Khan at the end of his important contribution constitutes a challenge, in response to which his own 'grid of enquiry' is indispensable, particularly in the 'articulation of an Islamic ethos' ).

**6**. A survey of literature on Islamic economics over the past few decades reveals a reasonable degree of agreement on at least two important and fundamental issues.[10] The first concerns what Islam itself is about: 'Justice and Equity' as "the focus of the prophetic message," as Dr. Siddiqi suggests.[11] He further indicates that:

> "*Islam is primarily about a spiritual view of life and a moral approach to life's problems, including the economic problem. The contentment Islam promised man is rooted in this spiritual and moral framework. ... It is time to demonstrate how modern man can live a peaceful, satisfying life by shifting to the Islamic paradigm that values human relations above material possessions.*"[12]

Such a 'paradigm', in Dr. Siddiqi's conception, also shared by other scholars, is specified in its juxtaposition to another 'paradigm' which contains 'three features':

a) it is focused on the individual, society, or community, and appears as a mere aggregate having no independent significance;

b) the individual is motivated by self-interest and focused on private gain; and

c) maximization is the norm in this individual's pursuit of profit in enterprise/satisfaction in consumption (page 16).

There is also a reasonable basis for agreement that the sources for specification of the characteristics of the '*Islamic paradigm*' are: the *Qur´an*, the Ahadeeth of the Messenger صلى الله عليه وآله وسلم and *fiqh*. In developing this 'paradigm', however, Dr. Siddiqi suggests that the most important source of ideas is the *Qur´an* , then the Ahadeeth of the Messenger صلى الله عليه وآله وسلم and his behavior "as a consumer, as head of household, a producer of wealth through trade, as Head of State looking after the welfare of his people by guiding them in their economic activities, supervising and sometimes regulating their market, managing public property, etc... These Sunnah, are best understood as conduct and policy directed at realization of the objective and values in the *Qur´an*, ...." (page 6). It is in the use of *fiqh* that Dr. Siddiqi not only parts company with some other scholars' emphasis, but suggests that too strong a focus on *fiqh* has retarded the progress of Islamic economics. "For many, if not most of the scholars, *fiqh* came first and the contemporary reality came next" (page 6). He recommends that after consideration of the *Qur´an* and the *Sunnah*, the "next thing to focus on is the contemporary reality, the current environment.... How to realize the economic values and achieve the Islamic ends in economic life in our times? That is the question we have to answer. It is in answering this question that we consult *fiqh*. It is a great help, an indispensable source, but not the only one. When it comes to identifying the appropriate means for realization of a certain end, current state of human knowledge and technology may have things to offer no old treasure possibly could" (page 6). So the 'state of human knowledge and technology' would seem to suggest the last source of ideas that can inform the process of formation of the 'Islamic paradigm'.

7. While there is basis for consensus on the objective of Islam for the economy, on the sources, and on the idea that Islamic economics is capable of providing a 'paradigm' different from traditional economics, there is no general agreement how such a paradigm would emerge. As suggested by Dr. Siddiqi, it has been difficult for scholars to think themselves out of the twin boxes of *fiqh* and traditional economics, both of which have led to disagreement on a number of issues, including the name and the definition of Islamic economics. There are some who suggest that if Islamic economics is a science, it makes little sense to attach it to Islam; after all, this view suggests, there can be no Islamic physics or chemistry. This view considers science as value free, therefore, unattachable to a system of ethics, ideology, or religion, and has a narrow perspective even as applied to traditional economics as a science.[13] There is a considerable body of work not only questioning this judgment, but going further to show that science, in general, and 'economic science', in particular, cannot be norm- or value-free. The latter view suggests that economics, as a social science, deals with economic behavior that is embedded in the culture as the economy itself is embedded in the society, and culture is shaped by the beliefs, mores, and values of the people that form society. Therefore, economics is by necessity culture-bound, and while it is possible to develop a set of propositions tautologically derived from a priori

concepts, its usefulness in solving society's problems is questionable. On the other end of the spectrum, there are those who hold the view that precisely because traditional economics grew out of a different historical-social-cultural experience than in Muslim societies, it is incompatible with Islam. Therefore, there is nothing useful to be gained in terms of finding solutions to problems of Muslim societies through a marriage of Islam and economics. There is a third view that seems to consider 'economics' in what Polanyi calls its 'substantive' rather than its 'formal' meaning.[14] This view, which seems to be aware of the limitations implied by the 'formal' notion of economics, suggests that Islamic economics could well situate itself, analytically at least, within the general field of economic enquiry.[15]

**8.** Along with disagreements on what to name the emerging discipline is the question of how to define it. There have been a number of definitions of Islamic economics, but none seems to command a general consensus. Legitimate questions are raised by scholars within Islamic economics, as has been the case in general economics, whether the "means-ends" characterization is a satisfactory anchor for a definition of the discipline. Some writings suggest that this definition, with minor modifications, provides an appropriate framework for defining Islamic economics. Others, however, relying on various verses of the Quran, suggest the unacceptability of the notion of 'scarcity' in the definition. This view holds that Allah (s.w.t.) has provided resources "in exact measure" for man to carry out his responsibilities, and that poverty emerges as a result of maldistribution and shirking responsible behavior. There is no question that there are verses in the Quran indicating clearly that the assumption of scarcity cannot hold in the aggregate and that maldistribution and shirking in redistributive responsibilities are causes of poverty. On the other hand, scarcity at micro level is acknowledged in the Quran, with strong emphasis on the need for redistribution.[16]

**9.** There are those who suggest that economics, in its formal 'means-ends' meaning is applicable to "the study of any behavior since all behavior requires the expenditure of resources."[17] Nonetheless, it is important to acknowledge a substantial criticism of 'means-end' characterization that should be brought to bear on attempts to forge a definition for Islamic economics that could command consensus. In this effort, it is critical that the words of Professor Ali Khan are heeded that "... in the phrase Islamic economics one cannot give meaning to the noun without understanding the adjective and that such understanding can never be final and complete for any generation of scholars." This could not and should not be interpreted that there are no immutable propositions, principles, rules, and norms in Islam relating to economic behavior, but that any generation's understanding of them should not be assumed final. Consider the behavioral rule of prohibition of "إسراف" which, in any generation, will depend on the relativities of the economic ground realities defined by the conditions of each society. Therefore, what the present generation could do is to record its understanding of the adjective and pass it on to the next. In this

effort, the present generation will need to clearly position its understanding of Islam as it pertains to the economic (in its substantive meaning) behavior as well as on the applicability of formal economics and its methods as they relate to that understanding. The present efforts to forge a consensus-based name or definition for Islamic economics, however, should not deter research in understanding Islam in its relation to economic behavior awaiting a consensus on a clear definition which will emerge in due course.

**10.** There is no avoiding the fact that in Islam all behavior is rules-based, that ethical values underlie the rules, and that the source of the rules is Allah (s.w.t.). Man knows the presence and force of these rules and the ethical values from the revelation—either directly from the Quran, or indirectly from the actions and sayings of the behavior that represented the most perfect implementation of the rules of the Quran: that of the Messenger صلى الله عليه وآله وسلم . Man also possesses the faculty of reason to understand the ethical propositions and the prescribed rules, and can apply the same faculty to deliberate when faced with a decision. To the extent that man uses this process of deliberation and reasoning to understand the ethical propositions and the rules contained in the Guidance of the Creator, and to arrive at decisions, it is rational.[18] Not only does the Quran rely strongly on reasoning, but also it prescribes and specifies the domain of observation, intellection, and reasoning for man, which begins from the depth of the individual's self (نفس) to the depth of the universe (ملكوت السماوات والأرض) .

**11.** Neoclassical economics, relying on the 'means-ends' definition and the 'self-interest' hypothesis, postulates that the individual's behavior is rational in the sense that, faced with a choice, the decision-maker prefers more to less. The individual is the source of ontology and epistemology; all the needed knowledge is there for consumers to maximize utility, producers their profits, and society its welfare. The strong assumptions in neoclassical economics—the self-interest hypothesis and the rationality postulate—as well as the theorems of welfare economics have received considerable criticism from a variety of view points. Over the last four decades, a number of new fields of enquiry have developed within economics to deal with the shortcomings of the neoclassical economics. These include, inter alia, the fields of 'bounded-rationality', 'information economics', 'contract theory', 'behavioral economics', 'experimental economics', 'non-cooperative game theory', 'the new institutional economics', and 'cognitive science'.[19]

**12.** Intellectual developments in each of the above-mentioned areas should hold considerable interest for Islamic economics. It would certainly be helpful to the development of the discipline if there were agreement amongst the scholars that there was no need to reinvent wheels. For example, very little effort is made at the present to understand empirically the behavior of Muslims, including the observed dissonance between rules and behavior or ideal and reality. In this regard,

methodological progress in the field of behavioral and experimental economics could be helpful. Developments in the field of 'bounded-rationality' would be worth studying to see if useful results could be obtained by extending the present understanding of this field in terms of cognitive constraints on rational behavior to constraints originating from the behavioral rules of Islam. Recent efforts to explain the wide income differentials among countries, or why some economies grow and others stagnate, have brought much attention to the role of institutions. In particular, two sets of institutions have been identified as crucially important: institutions that protect property rights and those that enforce contracts. New Institutional Economics—particularly as it is being extended to understanding ideology—seems to hold promises of fruitful investigation for Islamic economics since Islam is rules-based and the New Institutional Economics defines institutions in terms of rules and norms. Research work in this area could be extended to understand Islamic economic institutions and to analyze the extent or even existence of these institutions and their operation at the present in Muslim societies. To create an incentive structure for the establishment of new institutions compatible with Islamic objectives would be another fruitful line of inquiry. Developments in the field of contract theory seem to provide a fertile ground for investigation as the institution of contracts is of primary importance within the constellation of behavioral rules of Islam. A potentially useful area of inquiry is investigation of applicability of the concept of 'incentive compatibility' in structuring contracts as well as organizing new Islamically-compatible institutions. Similarly, the closely related concepts of 'trust', 'commitment', and 'reciprocity', which are being investigated in a variety of settings, could provide useful grounds for operationalizing the understanding of interpersonal relationships in Muslim societies which play a key role in the fostering of institutions. Information economics has yielded important results, applicable mainly to situations where there are limitations and constraints on the availability of information. While the findings of information economics have already played a useful role in Islamic finance, a more general application of these insights in other areas of Islamic economics would be no doubt productive.[20]

# III. Hermeneutics and Islamic Economics

**13.** The Islamic economic 'paradigm' will be successfully constructed, and solutions proposed to society's problems—such as what is to be done about distorted income distribution, external diseconomies accompanying growth, unemployment and poverty, environmental problems and the like—when a clear and analytically rigorous language of discourse is developed. In addition to the sources of research, suggested at the beginning of this note, two other sources are useful in developing such a common language: history of thought and economic hermeneutics. The first is a rich field of research and a source of ideas. Preliminary research suggests considerable contribution from Muslims to the development of economics, particularly in the early stage of the formation of the discipline, which the profession has been slow to recognize and acknowledge. Further in-depth research in this area is important for a variety of reasons: first, it would show that ideas developed anywhere belong to humanity as a whole, and that borrowing of the results of investigations of one segment of humanity from another is a normal course of evolution of ideas. It is, therefore, the right of those interested in the development of Islamic economics to borrow any useful ideas in this regard just as it was the practice of the European scholars in the Middle Ages to borrow from Muslims. Second, moral philosophy gave birth to political economy, out of which grew the present discipline of economics. And, moral philosophy from the Middle Ages to the time of Adam Smith was influenced by the scholarship of Muslims. While the historians of economic thought generally ignore Muslim contributions, they emphasize the Aristotelian thought of the Middle Ages. However, the latter arrived in Europe already influenced by Muslim intermediation and was as Aristotelian as present day neoclassical economics is classical.[21]

**14.** Studies of the contributions of Muslim scholars up to the time of Adam Smith could provide an opportunity for the present generation of scholars to splice present Islamic thinking about economics with pre-Smith thought and, thus, accelerate the recovery from centuries of atrophy in thinking about Islamic economic behavior. Moreover, such scholarship may well provide the appropriate response to the question of why Muslim scholarship did not continue the tradition of Ibn Rushd and develop an analytic discipline to deal with economic matters. Research has demonstrated that, in his commentary on Aristotle's Nichomachean Ethics, Ibn Rushd had developed an initial expression of the law of demand.[22] It is important to investigate why this line of thought was not pursued by Muslim scholars who followed Ibn Rushd. Third, the relationship between moral philosophy and political economy is now receiving fresh attention in new exegetical research in reinterpreting Adam Smith and other classical economists. Scholarship by those

interested in Islamic economics may contribute to a reconstruction of a political economy based on moral philosophy, and serve to provide a common ground for analysis of all behavior.

**15.** A simple example of research into the contribution of Muslims to the history of thought maybe helpful. Hicks (1986) suggested that the simplest example of the use of the rationality assumption is the case of mercantile dealings where[23]

> "each transaction is separate ... undertaken for its own sake, without reference to the possibility that the terms on which it is made may influence the terms on which it will be possible to make further transactions. ... . There can be no question of the rationality of the proceeding. ... . The merchant—the pure merchant, who confines himself to such market-oriented dealings—is the original economic man. His behavior is so rational, so clearly rational, that we (economists) can readily reason from it; our reasoning from it is the start of economics. ....It may be objected that in the work of what we reckon to be the first great school of economists, the classical economics of Smith and Ricardo, the merchant does not so obviously occupy a leading place. .... I believe however that the picture looks different if one goes further back. .... It was many centuries earlier, in fifteenth-century Florence, that merchants began to study how to keep accounts. .... The appearance of the practice of keeping accounts, which first appears among merchants, is a clear indication that the business is being conducted rationally, with one eye to profit..... During the centuries that elapsed between the invention of accounting and the time of Adam Smith, the practice of bookkeeping must have spread quite widely .... Thus it was natural to assume that non-merchants, or many of them, would be behaving more or less like merchants. Though it was a simplification to treat them as Economic Men, they would be moving in that direction. That was all the classical economics needed, for their use of profit motive."

**16.** It is interesting that Hicks suggests in the same article that the classical economics did not need the assumption of utility maximization: "it is notable that the classical economists did not treat the consumer as an Economic Man; they had no need to do so. That comes in with Jevons, with Marginal Utility. The producer was making money, so his goal could be set in monetary terms. The consumer is spending money, so his goal must be defined in a different manner. 'Utility' had to be invented in order to give him something in which to do his maximizing. ... . To treat consumption, or spending, as a maximization against constraints is so appealing, mathematically, that it was bound to carry all before it. But, is it any more than a convenient assumption? There can be no question of the service it has performed in fitting statistics into a pattern; but that is just convenience—it does not show that people do act in the way the theory describes."

**17.** Hicks has been quoted here extensively for two reasons: first, according to him, it was the practice of bookkeeping that suggested the 'rationality' concept and the profit motive to the classical economists. Now, from the Eighth Century A.D. onwards, Muslims succeeded in developing international trade and commerce on a scale that surpassed anything known before. The greatest contribution of the Muslim world to the Medieval economic life was arguably the development of commercial methods based on writing and recording. Scholarship has demonstrated that the system of commercial arithmetic and accounting was first introduced to Europe in the book *Liber Abaci* by Leonardo Fibonacci or Leonardo Pisano in 1202 who had learned the system from Muslims at Bougie in North Africa.[24] If Bernardelli is correct to suggest that *Liber Abaci* should be considered as the beginning of the economic analysis, then the discipline, at least in part, owes its origin to Muslim scholarship.[25] Second, Hicks suggests that classical economics only needed the rationality assumption in terms of 'self-interest' and the profit motive to develop the corpus of its ideas. Recent scholarship has questioned the 'pure selfishness' attributed to Adam Smith's understanding of the 'self-interest' motive. Given the broad-based philosophical views of Adam Smith and, in particular, the depth of thinking in the *Theory of Moral Sentiments*, the economic man, with pure selfishness as his mover, seems too narrow and too one-dimensional to correspond to the understanding of the ethical and moral concerns of Adam Smith, which are so apparent in his writings and lectures. Moreover, it appears, even from the passages quoted from Hicks, that there is no need to interpret 'self-interest' as 'pure selfishness' to justify the profit motive. Careful reading of the *Theory of Moral Sentiments* and *The Wealth of Nations* seems to indicate that Smith's views are based and focused on two characteristics that he postulated for human nature: self-interest and the need for social cooperation, both of which he needs to explain the workings of the market. A 'pure selfishness' seems an unnecessarily strong assumption for a theorist like Adam Smith with a moral/ethical orientation, on the one hand, and belief in parsimony and Occam's Razor, on the other.[26]

**18.** Considering Hick's very simple model of mercantile behavior, what motive could be attributed to agents operating in an Islamic market? By the latter, it is meant a market in which merchants have internalized Islamic injunctions and behave according to the rules specified by the *sharīʿah*. An understanding of these rules of behavior suggests that they are intended to ensure a level playing field for all participants. A present-day understanding of these rules suggests that this is done by prohibiting barriers to entry and exit and by encouraging the flow of free and full information accomplished, in part, through prohibition of deliberate creation of asymmetric information.[27]

Assuming merchants observe all the rules of market behavior, would there be any prohibition on the profit motive? While a Muslim merchant may have other motives, there is no evidence—from the sacred sources, the economic history of Medina during the lifetime of the Messenger صلى الله عليه وآله وسلم , or the writings

of Muslim scholars and fuqahá—to suggest that, provided the rules prescribed for market operations are observed, the profit motive should be ruled out. The Islamic vision of how markets are organized, operate, and clear is different from that of other systems: the physical analogue of that vision existed in remarkable uniformity in the Muslim world for centuries. These markets were physically structured to facilitate the workings of the Islamic rules governing market operations. Each product had its own specialized market, e.g., clothing, jewelry, house wares, food products, and raw materials. This concentration allowed the efficient flow of information, realization of economies of agglomeration, ease of supervision and quality control by guilds (أصناف) and muhtasibs.[28] However, it is important to note that, while markets exist and, indeed, are encouraged, an Islamic economy is not a market economy in the sense of neoclassical economic theory. Even though the Fundamental Theorems of the neoclassical economics allowed a limited role for the government to correct market failure, it is, by and large, the price system that rules the market economy. Through its rules of behavior for market participants, and without negating the signaling function of the price system in the market, the *sharī'ah* assigns a significant role to non-market decisions to ensure economic and social justice. This seems to be true in case of all pre- and post-market activities in terms of pre-production principles of property rights, in the case of the former, and through redistributive institutions, in the case of the latter.

**19.** If there is any validity in what has been said so far, investigations in the history of thought of Muslim and non-Muslim scholars, up to the time of the marginalist schools on the ontological and epistemological foundations of economic behavior, could be fruitful. This effort could provide, in turn, a rigorous foundation for analytic thinking in Islamic economics. Investigation in this area ties well with another field of research that can also prove a fertile ground for contribution to the development of Islamic economics, hermeneutics: a systematic, rigorous, and analytic economic interpretation of sources of Islam, the Quran, the Sunnah of the Messenger صلى الله عليه وآله وسلم , the economic history of early Islam and the writings of scholars and *fuqahá*. Because of the extreme sensitivity of this issue, particularly as it relates to the Quran and the Sunnah, it is essential to differentiate between what is meant here by hermeneutics and the generally understood notion of *tafseer*.[29] Hermeneutics, as used here, does not mean *tafseer*, i.e., the first order interpretation of the sacred sources which is a highly specialized field, but rather the process of extracting economic meaning from the first order interpretation.

**20.** A simple example of what is meant by hermeneutics in the present context may help to clarify the difference. The Quran's declaration in Verse 276 of Chapter 2 that "... يمحق الله الربا ويربي الصدقات ..." has a first order interpretation (*tafseer*) which is primarily the responsibility of those specialized in the science of interpretation. However, an economist could understand this verse by relating the two future verbs "يمحق" and "يربي" to the differential impact of "الربا" and "الصدقات" in the economy

by noting who is at the giving end and who at the receiving end of these transactions. The economist could then model—say in a simple Keynesian framework with computed marginal propensities to save and consume—the differential impact.** He could even empirically test the results against actual observations. The existing literature on Islamic economics contains other examples of economic hermeneutics. One example is Professor Ali Khan's efforts to understand various concepts that play key roles in the ontological and epistemological foundations of Islamic economics. Dr. Chapra's important book The Future of Economics contains many illustrations of economic hermeneutics. Another example is the recent effort by Professor Tajeddin in explaining the Quranic rules of inheritance; it is a good beginning; additional economic insights and meaning could be gained from analyzing these rules within an intergenerational, intertemporal framework. Yet another example is the papers by Professor Braima in which a Quranic model of the economy is presented. The impressive papers of Professor Rafic Al-Misri are also worthy of mention.

**21.** Efforts in arriving at rigorous and analytic economic insights into Islamic views of such elemental concepts as rationality, self-interests, and human traits through hermeneutics seem essential. For example, it was suggested earlier that, provided the rules of market behavior are observed, profit motive—as a guide to behavior in the market—cannot be ruled out. This, however, does neither necessitate an assumption of pure selfishness in the market, nor a narrow conception of self-interest for behavior, in general. For example, it is possible to argue that the notion of self-interest is an essential Islamic behavioral postulate, provided account is taken of the fact of an infinite planning horizon for the individual and the collectivity in concordance with the Islamic belief in the Hereafter (الآخرة). The Quran, in a number of verses, insists that whatever the result of the behavior, it is 'for' or 'against' the *nafs* of the actor, i.e., " إن أحسنتم أحسنتم لأنفسكم وان أسأتم فلها...ا", verse 7, Chapter 17. Moreover, there are a number of other verses in which rules prescribed are coupled with "... فهو خير لكم " it is better for you." Considering the notion of 'the self', there are some economists who have considered this concept in more than a single dimension.[30] Economic hermeneutics of the Quran's concept of the *nafs*, the explanations provided by the Ahadeeth of the Messenger صلى الله عليه وآله وسلم and the writings of Muslim scholars on this subject could be immensely valuable here. These sources seem to view the *nafs*, which motivates behavior, as dynamically moving: positively toward perfection, or negatively toward a position 'worse than' animals. This is one area where Muslim philosophers have advanced crucial ideas based on the sacred sources. Since changes in the *nafs* affect tastes and preferences, the insights gained from a study of the works of these scholars will have implications for economic behavior.[31]

** Nearly two decades ago, Dr. Fahim Khan developed a "Macro Consumption Function in an Islamic Framework" (see the Journal of Research in Islamic Economics, Vol. 1, No. 1) which employs the ideas here as part of his analysis. Thanks are due to Dr. Fahim Khan for pointing out this important reference.

**22.** Application of economic hermeneutics investigation of the of Islamic sources on important concepts, such as covenant, contract, trust, commitment, *iman*, *taqwa*, and other essential notions seems to be an imperative for a clear and rigorous articulation of Islam's views on economics, the economy, finance, market structure, poverty, and economic development and growth. For example, hermeneutics of Islam's position on contracts, insights into the incentive structure for observance of their stipulation and breech remedies would be enormously helpful for understanding this important institution within the Islamic economic system. Similarly, extracting economic meaning as to what the sources consider important conditions for economic development and growth, as well as the institutions that must exist in the society for these conditions to be met, would seem crucial to formulating policy recommendations based on economic analysis. For example, it appears that verse 96 of Chapter 7 of the Quran:

"ولو أن أهل القرى آمنوا واتقوا لفتحنا عليهم بركات من السماء والأرض ولكن كذبوا فأخذناهم بما كانوا يكسبون."

suggests conditions under which societies can develop and grow as well as reasons why they do not. The verse specifies *iman* and *taqwa* as conditions (necessary and sufficient?) for growth. If this understanding turns out to be consistent with first order interpretation (*tafseer*), an economist could seek behavioral traits and characteristics that define these conditions in order to develop a Quranic theory of growth. This would mean an investigation of sources to reach a clear specification of behavioral rules, the collective observation of which would define these conditions. An economic hermeneutical understanding of each of these rules can yield a matrix of elements that define the conditions. For example, first verse of the fifth chapter of the Quran declares: "يا أيها الذين آمنوا أوفوا بالعقود". This is a behavioral rule emphasized in the sayings and actions of the Messenger صلى الله عليه وآله وسلم and commented upon in Islamic philosophical, ethical, *fiqhi*, and judicial scholarship. An economist's understanding of this rule would also tap into areas such as information economics, law and economics, transaction cost economics, institutional economics, and contract theory to have a clear understanding of the economic implications of observance or, otherwise, of this rule and draw operational inferences for empirical verification. The order to the believers to be faithful to their contracts, with far-reaching implications for contract negotiations, enforcement and breech remedies, is only one among the rules that define *iman*. A matrix of the rules for both *iman* and *taqwa* could well define the Islamic theory of economic growth and development.

**23.** Economic history of Muslim societies, especially in the earliest period, particularly during the time of the Messenger صلي الله عليه وآله وسلم , is another rich source for economic hermeneutics. An excellent example is Professor K. Sadr's work on the early Islamic period, which, through hermeneutics, draws implications for fiscal, monetary, development, and environmental policies. Dr. Hasanuz Zaman's book <u>The Economic Functions of the Early Islamic State</u> [International Islamic

Publishers, Karachi (1981)], published over 20 years ago, also focuses on the economics of the early period of Islam. For centuries and before the beginning of the discipline of economics, Muslim societies managed their economic affairs. It is, therefore, natural to expect that an understanding of the economic history of these societies would yield valuable insights into the workings of Islamic economic institutions, based on which an understanding could be gained into the reasons why some of these institutions did not evolve. Investigation into the historical evolution of markets in Muslim societies, beginning with the first market established by the Messenger صلى الله عليه وآله وسلم in Medina, could yield valuable insights into their operations in terms of observance of the rules of *sharīʿah*, instruments of supervision and regulation of these markets, and the role of the prices and the equilibrium process. Hermeneutics of this historical evolution could yield insights into how markets could be structured and organized in consonance with the rules of *sharīʿah*. As Dr. Siddiqi has suggested in his presentation quoted earlier, many of the published works of the recent years on Islamic economics references to *fiqh* have been prominent. *fiqh* literature is a valuable legacy for ideas regarding economic behavior.[32]

**24.** One area, in which economic hermeneutics of all sources could be of great help, is efforts to elucidate a concrete economic definition of Islam's view on justice. There is a consensus among scholars of Islamic economics that social justice is the most important objective of an Islamic economy and abstract models have been proposed based on the desiderata of justice and beneficence (العدل والإحسان). However, no clear sense of what these concepts mean, analytically and operationally, has been provided. Without such a definition, it is difficult to see how economic analysis and policy recommendations can be made on ways to achieve social justice. The history of scholarship in traditional economics demonstrates the complexities arriving at a consensus on a criterion by which a particular pattern of economic distribution can be judged as being just. Hermeneutics of various concepts of justice related to economic behavior, whether on individual or aggregate levels, in the Islamic sources to arrive at consensus regarding an analytic definition and criteria of justice would be a major contribution.[33]

**25.** Even a cursory look at Islamic sources suggests a comprehensive conception of justice that permeates throughout the individual's and community's life.[34] Every dimension of individual behavior affecting the individual and social interactions is subject to some conception of justice. Each conception of justice, as applied in the Quran, refers to a specific dimension of individual and collective behavior. Associated with each conception is a term and a context. Economic hermeneutics of these terms and their associated context pose a major challenge. A simple example should illustrate the task. One of the miracles of the Quran is the economy and parsimony of its language concomitant with its precision. Yet, sometimes the Quran uses two or more words to indicate what appears to be the same term or the same process. The precision of the Quran would suggest that there has to be

deeper reasons for this phenomenon. In case of 'justice' terms such as "حق" ، "ميزان" ، "قسط" ، "عدل" and others are used in various contexts. Based on the already available literature, conception of justice plays a major role in the initial allocation of resources, production, exchange, market, distribution and redistribution. The economic hermeneutics of dimensions and meaning of these terms, particularly as used in the Quran and Ahadeeth of the Messenger صلى الله عليه وأله وسلم , in the writings of scholars and philosophers would seem indispensable to building rigorous foundation of Islamic economic analyses, if indeed achieving justice is the major objective of an Islamic economy.

# IV. Conclusions

**26.** Whether Islamic economics is considered to be an entirely different discipline from what goes as traditional economics—a position justified by its world view, its view of rationality, its view on man's nature, its emphasis on the need for correspondence between behavior and the prescribed rules as well as its other specific dimensions—or as a special subfield within that discipline, it has made considerable progress since its revival a little over three decades ago. This is remarkable, given that there are virtually no organized support for this effort, in sharp contrast to the multitude of private and public foundations providing financial support to research in traditional economics. Despite the wealth of resources available in many Muslim societies, there is lamentably little support for scholarship in Islamic economics. Moreover, even the academic recognition of research activities in this field is, by and large, lacking and there is a dearth of incentives for scholars to pursue their interest in furthering contemporary thinking in the discipline. Nevertheless, the personal dedication of scholars has produced a credible corpus of work that provides a sense of optimism regarding the future of Islamic economics.

**27.** There is no reason to doubt that scholarly activities in this field will continue, nor to think that, at some point in the future, it will develop a rigorous analytic foundation for policy analysis and prescription to achieve the objectives of Islam for the economy. This note is a modest attempt to consider possible directions for future development and growth of the discipline. Learning from the history of development of traditional economics—both its successes and failures—research in Islamic economics should anchor its progress on an interdisciplinary approach, paying due attention to historical, philosophical, psychological, and sociological dimensions of what Islam intends for individual and collective economic behavior. The immense scholarly works of Muslim philosophers, fuqaha, historians, and social critics provide a valuable legacy that should be extremely helpful in this process.[35] Developments in traditional economics is also a fertile field for researchers in Islamic economics to harvest as a source of ideas. In this note, while the economic history of Muslim societies and thoughts has been emphasized as a major source of ideas, special attention has also been directed at developing a proper 'language' of discourse in Islamic economics with the hope of emergence of a consensus-based, analytic, and operational definitions, and descriptions of major concepts that scholars would need to further refine ideas and generate new insights. A common language, with its own 'grammar', of Islamic economics is fundamentally important; as Professor Ali Khan suggests:

"... the choice of language has epistemological implications." For this reason, a plea is made for the development of a coherent, comprehensive, and systematic economic hermeneutics as a foundational structure that would support research, dialogue, and debate in Islamic economics, as well as in building the future edifice of theoretical, empirical, and policy structure of this discipline. The present generation of researchers is in a position to make an important contribution by focusing on activities that can draw economic meanings and inferences from terms, ideas, and concepts expounded in the sources of Islam. The hope would be that at some point in time a collection similar to Palgrave's Dictionary of Economics could be developed for Islamic economics. The momentum of these efforts would be much accelerated if financial resources, similar to those provided to investigations in traditional economics by major foundations, could be mobilized in Muslim societies to support such activities.

# NOTES

[1] Supplications No. 20 and 30 in Imam Zayn Al-Abedeen"الصحيفة السجادية" translated by William C. Chittick The Psalms of Islam; The Muhammadi Trust of Great Britain and Northern Ireland, 1988, which also includes the translation of the Imam's "رسالة الحقوق" as *The Treatise on Rights* (pp. 279-292). The latter "elaborates on a well-known saying of the Prophet, which has been transmitted in a rather large number of versions, no doubt because he repeated it in many different contexts. A typical version can be rendered as follows: 'surely Your Lord has a right against you, your self has a right against you, and your wife has a right against you.' Other versions of the hadeeth add guest, body, eye, and friend as those who have rights. In some of the versions, another clause is added: 'so give to everyone who possesses a right (كل ذي حق) his right.' ...Zayn Al-Abedeen's *Treatise on Rights* seems to have been written at the request of a disciple, since, in one of its two versions, it is prefaced by the words: 'This is the treatise of Ali Ibn Al-Hossein to one of his companions.' In it the Imam explains in more or less exhaustive fashion what is meant by 'everyone who possesses a right,' as mentioned in the above Hadeeth. Throughout, he provides specific examples, basing himself upon the Quran, the Sunnah, and the actions and saying of the earlier Imams." The Treatise has been extensively commented upon. One of the best commentaries is the two-volume book:

حسن السيد علي القبانجي : شرح رسالة الحقوق للإمام علي بن الحسين زين العابدين . مؤسسة دار التفسير للطباعة والنشر، قم– إيران– ١٤١٦ ه :

In his introduction, Ghabanji quotes the following about the Imam from دائرة معارف الشعب

"في الربع الأخير من القرن الأول الهجري ، كان يعيش قي مدينة الرسول صلى الله عليه وسلم ، رجل امتلأ قلبه إيماناً ، وأشرق نوره عل وجهه روعة وجلالاً . أحبته المدينة كلها ، وتسايرت الركبان بذكره وفضله . قد تواضع فارتفع ، وتطمأن للناس فأعزوه ، وأحب ضعاف الناس فأحبه كل الناس . كان للفقراء مواسيا ، وعلى اليتامى حانياً . . . ذلكم الرجل هو – علي زين العابدين ابن الحسين – ، بقية السيف من أبناء الحسين ، وبه حفظ نسل أبي الشهداء ، صريع الظلم والفساد في كربلاء . كان علي هذا شديد البكاء ، كثير الحسرات ، لأنه عاش بعد أن قتل الأحبة من آل بيته . وقد قال في ذلك (رضي الله عنه) : إن يعقوب عليه السلام بكى حتى ابيضت عيناه على يوسف ، ولم يعلم أنه مات . وإني رأيت بضعة عشر من أهل بيتي يذبحون في غداة يوم واحد ، أفترون حزنهم يذهب من قلبي . وإنه في وسط الأحزان والآلام النفسية نبعت الرحمة منه ، ففاض قلبه بها ، فكان جوادا يسد دين المدينين وحاجة المحتاجين ، ويفيض سماحة وعفواً . وتروى الأعاجيب عن سماحته وعفوه . ومما يروى منها أن جارية كانت تحمل الإبريق ، وتسكب الماء ليتوضأ ، فوقع ما في يدها على وجهه فشجه ، فرفع رأسه إليها لائما فقالت له الجارية : إن الله تعالى يقول : "والكاظمين الغيظ" ، فقال : "قد كظمت غيظي" فقالت : "والعافين عن الناس" ، فقال "عفا الله عنك" ، فقالت : "والله يحب المحسنين" ، قال : "أنت حرة لوجه الله" . بهذا النبل والسمو والرحمة والعطف ، اشتهر علي في ربوع الحجاز-- وخصوصا في مكة المكرمة ، والمدينة المنورة -- وعلا إلى درجة لم يصل إليها أبناء الخلفاء ، فكان المهيب من غير سلطان . ويروى في هذا من عدة طرق أن هشاماً ابن عبد الملك ، قبل أن يتولى الخلافة ، كان يحج فطاف بالبيت الحرام ، ولما أراد أن يستلم الحجر الأسود لم يتمكن، حتى نصب له منبر فجلس عليه وسلم ، وأهل الشام حوله ، وبينما هو كذلك إذ أقبل علي زين العابدين ، فلما دنا من الحجر

ليستلم ، تنحى عنه الناس إجلالاً له وهيبة واحتراماً ، وهو في بزة حسنة وشكل مليح ، فقال هشام : من هذا؟ استنقاصاً له وكان الفرزدق الشاعر حاضراً ، فاندفع الشاعر الفحل في تعريفه بقصيدة ، جاء فيها :

هذا الذي تعرف البطحاء وطأته ... والبيت يعرفه والحل والحرم
هذا ابن خير عباد الله كلهم ... هذا التقي النقي الطاهر العلم
إذا رأته قريش قال قائلها ... إلى مكارم هذا ينتهي الكرم

إلى أن قال :

فليس قولك من هذا بضائره ... العرب تعرف من أنكرت والعجم"

[2] See Dr. M.U. Chapra, The Future of Economics, *The Islamic Foundation*, 2000 (p. 254). This is a valuable book, a valiant effort in framing the past, present, and future of the discipline. Nevertheless, the appeal here for the development of a common language of discourse for Islamic economics that can commend consensus among practitioners remains valid. Meeting the challenging task of removing, or at least reducing, the present fuzziness is still an imperative for acceleration of development and growth of the discipline.

[3] See, for example, the discussions in the recent Roundtable organized by the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank on May 26-27, 2004, in cooperation with the Kuwait-based Arab Planning Institute (API). Gratitudes are due to Dr. Fahim Khan who provided copies of some of the papers presented in the Round Table, including an early draft of his own editorial overview of the discussion. Coverage of the first current has been limited in this paper since it has been covered extensively by Dr. Fahim Khan's overview of the Roundtable discussion.

[4] Professor Ali Khan in his "Globalization" paper, *Islamic Economic Studies*, Vol. 8, No. 1, (p. 52) suggests that "there seems to be a tremendous anxiety about Islamic economics and how it may have an adverse effect on globalization." Professor Timur Kuran, in all his writings on Islamic economics, displays such anxiety. An example is "Islam and Under-Development: An Old Puzzle Revisited," *Journal of Institutional and Theoretical Economics*, Vol. 153, 1997, (pp. 41-71). Despite pretensions of 'dispassionate analysis', the content of this paper and the position taken in other of his published works on the subject belie the claim. Superficial understanding of Islam, lack of familiarity with the canonical texts, Islamic history and history of thought and strong priors lead to 'a very distorted image of Islam', as Professors Ebrahim and Safadi indicate in their paper "Behavioral Norms in the Islamic Doctrine of Economics: A Comment," *Journal of Economic Behavior and Organization*, Vol. 27, 1995. Distortion by selectivity is rather transparent in Professor Kuran's paper "The Discontents of Islamic Morality" in *American Economic Review*, Vol. 86, No. 2, May 1996 (pp. 438-442), in which Islamic economics is passionately criticized and a profoundly absurd claim is made that "... the main purpose of Islamic economics is not to improve economic performance..., its real purpose is to help prevent Muslims from assimilating into the emerging global culture whose core elements have a Western pedigree.... Its chief instrument for fighting assimilation is the guilt that it fosters by

characterizing certain universal economic practices as un-Islamic.... From Maududi onwards, the moral discourse of Islamic economics has cultivated the view that the behavioral standards of Islam are fundamentally at odds with those of the West." Professor Kuran then continues his delusional claim that "the civilizational clash that Islamic economics is fueling is often misconstrued as a collision of old and new .... In trying to strengthen the Islamic identity of Muslim communities as a means of breaking their nonreligious solidarity patterns, today's Islamic fundamentalists are attempting, then, to perform a task at which the earliest Muslims failed" (p. 440). Nowhere in the paper attempt is made to demonstrate the existence of the 'nonreligious solidarity' of today's Muslim communities which Islamic economics is presumed to be trying to break.

The selective reading of Islamic sources, history, and history of thought and unwarranted inferences in Professor Kuran's criticism take much more space to address than is available here, nevertheless, one point is worth noting: Professor Kuran does not seem to be aware of the universality of the message of Islam. The fact is that the unity of mankind and of the creation is so emphasized in the Quran and Ahadeeth that Muslim philosophers consider the Unity of Creation as a corollary to the axiom of Tawheed (the Unity of the Creator); as the Quran states: "ما خلقكم ولا بعثكم إلا كنفس واحدة" . Moreover, the position of the Quran and the Sunnah on inducing efforts at integration and unity of mankind is so strong that all the moral and ethical rules can be interpreted as being addressed to this objective (see A.A. Shakir: Individual and Social Responsibility in Islamic Thought, Ph.D. dissertation, New York University, 1966 (pp. 167-175). Also see Tariq Ramadan, Western Muslims and the Future of Islam, *Oxford University Press*, 2004.) All the 'dos' relate to behavior that promotes integration of the humanity and all the 'don'ts' are those that lead to disintegration. It is a misjudgment to accuse scholars named in Professor Kuran's article as attempting to prevent assimilation of Muslims "into the emerging global culture."

Surely Professor Kuran is aware of major Western economists who are severe critics of globalization because of its unequal benefits and harms. Do these people also qualify as 'Muslim Fundamentalists'? Are all those economists who criticize economics because it ignores ethics and morality also 'Muslim fundamentalists'? Professor Kuran uses dissonance between behavior of Muslims and the rules of economic behavior prescribed by Islam as an evidence that "it is impossible to live up to the ideal of Homo Islamicus." He does not seem aware, or willing to acknowledge, that there are Muslims, in and out of the Muslim countries, who live according to Islamic values and follow all the rules of behavior prescribed by Islam. Moreover, he seems unwilling to consider other explanations for deviation between actual and ideal behavior. Islam, neither in its sacred sources nor in its history, rejects the possibility of such deviation between actual and ideal behavior. Indeed, both the Quran and Islamic history acknowledge and record the kind of behavior mentioned by Professor Kuran (see the example given by مالك بن نبي in note 35). Aside from the fact that the Quran

devotes considerable space and effort to point out the harm done by not following the rules of correct behavior and admonishes against it, this phenomenon is part and parcel of all systems, and is symptomatic of man's nature. Islam, however, provides both the rules and incentive as well as the cultural-social-economic institutional structure to promote the correct behavior.

Additionally, it is difficult to justify how any fair-minded critique can read into the writing of Muslim economists an anti-Western, anti-global bias. As an example, consider Dr. Chapra's The Future of Economics. The book's objective, as can be seen from one of three epigrams of the preface, is to respond to a call by Marshall Hodgson for Islam to 'illuminate the modern conscious' by informing economics and economists of Islamic values. While the particular focus of the book is Muslim thought and response of Islamic economics to modern problems, the overall concern is for the future of mankind. How can anyone read a statement like "... democratic governments in Western countries have done a great deal to promote justice, development and well being" (p. 192) and infer an anti-Western bias? If Dr. Chapra sees the reason for the slow economic progress of Muslim societies as being due to the neglect of Islamic values and rules of behavior and considers the solution to problems of these societies as revival of Islamic institutions and values, he is calling it as he sees it. The burden of proof, that this is not the case, is on those who disagree with the diagnostics, and Professor Kuran's criticism falls considerably short of standard for serious scholarship. Is the book's analysis of the source of problems—poor governance, lack of politically representative governments, unjust taxation, debasing the currency, inefficiencies, as well as other social, economic, and political inequities—an evidence for drawing an anti-western inference? Is the book's criticism of economics any less objective, analytical or more strident than much of the writings of Western economists themselves? And can any honest scholar reject Islamic economics as fraud by ignoring centuries of economic progress of Muslim societies before the advent of modern economics? As Shaheed M.B. Sadr explains:

"... ولا ادري ماذا يقول هؤلاء الذين يشكون في وجود اقتصاد إسلامي أو علاج للمشاكل الاقتصادية في الإسلام ! ماذا يقولون عن عصر التطبيق في صدر الإسلام ؟ أفلم يكن المسلمون يعيشون في صدر الإسلام بوصفهم مجتمعا له حياته الاقتصادية وحياته في كل الميادين الاجتماعية ؟ أفلم تكن قيادة هذا المجتمع الإسلامي بيد النبي والإسلام ؟ أفلم تكن هناك حلول محددة لدى هذه القيادة يعالج بها المجتمع قضايا الإنتاج والتوزيع ومختلف مشاكله الاقتصادية ؟ فماذا لو ادعينا أن هذه الحلول تعبر عن طريقة الإسلام في تنظيم الحياة الاقتصادية وبالتالي عن مذهب اقتصادي في الإسلام ؟ نحن إذا تصورنا المجتمع الإسلامي على عهد النبي (صلى الله عليه وآله وسلم) فلا يمكن أن نتصوره بدون نظام اقتصادي إذ لا يمكن أن يوجد مجتمع بدون طريقة يتبناها في تنظيمٍ حياته الاقتصادية وتوزيع الثروة بين أفراده . ولا يمكن أن نتصور النظام الاقتصادي في مجتمع عصر النبوة منفصلاً عن الإسلامٍ وعن النبيٍ بوصفه صاحب الرسالة الذي يتولى تطبيقها . فلابد أن يكون النظام الاقتصادي مأخوذا منه ، قولاً أو فعلاً أو تقريراً ، أي مأخوذا من نصوصه وأقواله أو من أفعاله وطريقته بوصفه رئيسا للدولة أو من تقريره لعرف سائد وقبوله به وكل ذلك يسبغ على النظام الطابع الإسلامي" الإمام الشهيد السيد محمد باقر الصدر (رضوان الله تعالى عليه) : " ماذا تعرف عن الاقتصاد الإسلامي" (ص ٥٢–٥٣) مطبعة النعمان – النجف الأشرف ١٣٨٨ ه .

[5] See Marcus Noland, "Religion, Culture, and Economic Performance" *Institute for International Economics*, 2004 (e-mail:mnoland@iie.com). Two other recent empirical research in religion and economics are: Luigi Guiso, Paola Sapienza, and Luigi Zingales "People's Opium." Religion and economic attitudes; *Journal of Monetary Economics,* Vol. 50, 2003, (pp. 225-282). This paper concludes that "on average, religious beliefs are associated with 'good' economic attitudes" and that "Christian religions are more positively associated with attitudes conducive to economic growth." But, see their sample and questions on pp. 234-237. The second recent empirical paper is by Robert J. Barro and Rachel McCleary "Religion and Political Economy in an International Panel," *Working Paper No. 8931, National Bureau of Economic Research*, May 2002. The paper finds that "growth responds positively to enhanced religious beliefs...," but also see their sample and regression results.

Interesting insights on growth of Islam in Africa are provided in "Transaction costs and Islam: Explaining Conversion in Africa" by Jean Ensminger, *Journal of Institutional and Theoretical Economics,* Vol. 153, 1997 (pp. 4-40). She makes a case that Islamic institutional structure "was one of the most available and effective" systems, which, until recent times, provided "solutions for the institutional problems of trade." This was, according to the author, the reason for the voluntary African conversion to Islam and "it can sometimes explain the preference for Islam over Christianity." She points out that the major advantage of Islam is that it "reduced transaction costs," and that "the fact that Islam was also a religion and not merely a set of secular institutions further reduced the transactions costs of exchange. Islam was a powerful ideology with built-in sanctions which contributed to considerable self-enforcement of contracts" (pp. 7-8). The paper also discusses other Islamic institutions such as **commanda** (modharaba). Also note the position of this paper on **trust**: "Islam thus plays at least two roles in relations to trust, firstly by establishing mutual commitments and obligations as fellow members of the **ummah** (Islamic community or fraternity), and secondly by providing the criterion of religiosity as a signaling device for reliability, which in turn becomes the basis for trust" (p. 39).

There are also a few valuable papers on economics and religion by Howard Margolis, "Religion as Paradigm" in *Journal of Institutional and Theoretical Economics* (JITE), Vol. 153, 1997 (pp. 243-252); see also comments by Heinz Hollander (pp. 253-258). See also Eilert Herms, "Religion, ethics, the economy and economics," *JITE,* Vol. 153, 1997 (pp. 182-206), and comments by David Reisman and Gisela Kubon-Gilke. In the main paper, the author defines a concept of 'ethos' and "considers religion, the economy, and economics as subsystems of any ethos." Herms defines ethos to be "conceived as a system of interaction covering the whole range of the essential functions of a society and shaped from within by convictions concerning the origin, the constitution and the destiny of reality and of human life within it." On economic analysis of religion, see James D. Montgomery "Contemplation on the Economic Approach to Religions Behavior." *The American Economic Review*, Vol. 86, No. 2

(pp. 443-447), who does not believe that the economic approach can explain religious belief formation. See also "The Economics of Religious Belief" by Russel Hardin in *the Journal of Institutional and Theoretical Economics*, Vol. 153, 1997, as well as comments by Bruno S. Fry and Eilert Herms on this paper in the same issue of the journal (pp. 259-289).

[6] For an attempt at a definition of such a system, see A. Mirakhor, "Outline of an Islamic economic system" Zahid Husain Memorial, Lecture Series, No. 11, 22 March 1995, State Bank of Pakistan, in which the system is defined as a collection of institution and these are defined, in the tradition of North, as rules and norms of behavior. Present understanding of Islamic economics, based on published writings, is that there are rules(قواعد) and value norms (قيم) which underlie all economic behavior, individual and collective. As an example, in an imaginative and interesting recent paper on sustainable development, Professor Abdel Rahman Yosri Ahmed suggests that:

" فهناك قواعد شرعية وقيم إسلامية تدعوا إلى ترشيد الاستهلاك وتجنب الإسراف وتدعوا أصحاب الملكيات الخاصة الالتزام بوظيفتها الاجتماعية ، والى أعمار الأرض وعدم الإفساد فيها . كما أن هناك قيم عقدية تدعم العلاقة بين الأجيال المتعاقبة المستخلفة في الأرض .... كما أن الشريعة تلقي على الحكومات مسئولية التوعية والمراقبة للأفراد مستهلكين ومنتجين والتدخل بشكل فعالٍ إذا لزم الأمر لتحقيق ما لم تحققه آليات السوق التنافسي أو إصلاح أي خلل يطرأ في آلياته، والأفراد جميعاً ، حكاماً ومحكومين ، ملزمين بفرائض شرعية ودوافع عقدية أن يساعدوا أهل الفقر والمسكنة ليس فقط لإشباع حاجاتهم الضرورية وإنما ليستغنوا فيما بعد عن تلقي المساعدة من غيرهم .... وفي عصرنا الحاضر جعل الاقتصاديون الإسلاميون قضيتهم العلمية متمثلة في بحث وتحليل المشكلة الاقتصادية في إطار القواعد الشرعية والقيم العقدية الإسلامية . "

These rules and norms need to be analytically and rigorously defined in terms of their economic meaning and systematically catalogued. This effort would help not only the present and future generations of economists working in the discipline of Islamic economic but also others, as Professor Yosri suggests (pp. 23-24) :

" .... كل هذا يدعونا إلى القول بأن الفكر الاقتصادي الوضعي يمكن أن يستفيد كثيرا من الفكر الاقتصادي الإسلامي ... "
and also as suggested by Professor رفيق يونس المصري in his paper "تعريف الاقتصاد الإسلام" in the Review of Islamic Economics, Vol. 4, No. 1,1995 (p. 36):

"أن في الإسلام كنوزاً وذخائر ، يجب على أهل الإيمان والبصيرة والخبرة أن ينقبوا عنها بثقة ووعي وإصرار . "

That there are a set of values, norms, and rules that characterize Islam's views on economics is shared by Professor Allawi in his coverage of the views of Shaheed Al-Sadr:

هذه القيم ( القيم الأخلاقية الملازمة لنظرة الإسلام إلى الكون ) تجعل الإنسان هو هدف الاقتصاد لا العكس ، فجوهر القيم الأخلاقية الإسلامية يتناقض مع الأنانية والاستغلال والتبذير . الإنسان هو هدف الحياة الاقتصادية والسياسية ، لأنه يستمد وجوده وقيمته من خلافته لله في الأرض . أي من علاقته بالمثل الأعلى التي يعبر عنها في كل المجالات : في العبادة وفي المعاملات بجوانبها الاجتماعية والسياسية والأخلاقية ." ص ١٧٨ ، فلسفة الصدر .

See also Mohsin Khan and Abbas Mirakhor: “Islam and the Economic System,” *Review of Islamic Economics***,** Vol. 2, No. 1, 1992 (pp 1 – 30).

[7] Professor Ali Khan has emphasized this point in a number of his articles. See M. Ali Khan Review: JKAU: Islamic Economics, Vol.3, 1991, (pp. 97-177), “... what I am trying to emphasize is that we, as scholars, need to make explicit, the order of the language we use ..... we would be better served if we are clear as to domain of discourse we work in, clear as to which body or style of knowledge we address.” For his Review in the *Journal of Economic Studies*, Vol. 20, No. 3, 1993 (pp. 51-69) and (p. 111). He also points to the need to discuss issues from ... “differing vantage points from which to grope toward the subject of Islamic Economics ..... I would submit that we keep firmly at the back of our minds the fact that political economy is a mutant of moral philosophy and that in an avoidance of a static conception of the subject, we engage in wide-ranging conversations, much as the Apostle himself did in his lifetime” (p. 116). See also his paper “On Trust as a Commodity and on the Grammar of Trust” in *Journal of Banking and Finance 26,* 2002 (pp. 1719-1766), in which he points to the epistemological dimensions of language. See also Professor Rashid who echoes the sentiments of Professor Ali Khan; “An Agenda for Muslim Economists: A Historico-Inductive Approach*,*” *Journal of King Abdul Aziz University*, Vol. 3, 1991 (pp. 45-55), and suggests insights can be gained from studying economics in its relations to its Christian values. For the Old Testament views on issue of justice, morality, and economic order see Meir Tamari With All Your Possessions: Jewish Ethics and Economic Life, *the Free Press*, New York, 1987.

[8] See his “Review” in JKAU, Vol. 3, 1991 (pp. 97-177). Perhaps a simple example could help illustrate. One of the most important ontological terms, which serves as a cornerstone of the behavior of man, is the notion of *Khilafa* (خلافة) or vice regency, a Quranic concept employed by most writers on Islamic economics. The recent debate on the proper understanding of what this term means points to the difficulty of ‘minding one’s language,’ as repeatedly emphasized by Professor Ali Khan. On the discussion regarding the concept of "خليفة" see:

عبد الرحمن حبنكة الميداني : "هل الإنسان خليفة عن الله في أرضه؟" مجلة بحوث الاقتصاد الإسلامي ع ٢ م ١ ،١٩٩١ (ص ٧١–٨٢) . رفيق يونس المصري : "الخلافة والاستخلاف" هل يصح أن يقال : "إن الإنسان خليفة عن الله في الأرض أو في المال ؟" مجلة بحوث الاقتصاد الإسلامي ع ١ م ٢ ،١٩٩٢ (ص ٦٩–٩٠) .

Could economists working in the field reach a consensus that this very important principle be defined in terms of **agency**? Could they also agree then on the domain of this agency?

[9] See a definition of ‘ethos’ by Herms in note 4 above.

[10] See Dr. Chapra’s book The Future of Economics as ell as a paper by Professor Abdel-Rahman Yosri Ahmed, presented in the recent Roundtable, for a survey of literature on Islamic economics.

[11] See his keynote presentation to the Roundtable.

[12] It should be noted that long before Dr. Siddiqi and others who bemoan the lack of moral values in economics, there were economists sharply critical of economics on the same ground. For example, Wilhelm Röpke [in his book A Humane Economy: The Logical Framework of the Free Market, first published in German in 1958, translated into English and published in 1960 and reprinted in 1971 by Henry Regnery Company, Chicago, Illinois,] an ardent defender of the free market economy suggested that: "Indeed, there is a school which we can hardly call by any other name but liberal anarchism, if we reflect that its adherents seem to think that market, competition, and economic rationality provide a sufficient answer to the question of the ethical foundations for our economic system;" and that 'we have made it abundantly clear that we will have no track with a sort of economically ignorant moralism which, like Mephistopheles in reverse, always wills the good and works the bad. But we must add that we equally repudiate morally callous economism, which is insensitive to the conditions and limits that must qualify our trust in the intrinsic morality of the market economy. Once again, we must state that the market economy is not enough" (p.123). "Self-discipline, a sense of justice, honesty, fairness, chivalry, moderation, public spirit, respect for human dignity, firm ethical norms—all of these are qualities which people must possess before they go to the market and compete with each other. These are the indispensable supports which preserve both market and competition from desecration. Family, church, genuine communities, and tradition are their sources. It is also necessary that people should grow up in conditions which favor such moral convictions, conditions of a natural order, conditions promoting cooperation, respecting traditions, and giving moral support to the individual." Importantly, he suggests that "the market economy is a constantly renewed texture of more or less short-lived contractual relations. It can, therefore, have no permanence unless the confidence which any contract presupposes rests on a broad and solid ethical base in all market parties. It depends upon a satisfactory average degree of personal integrity and, at the margin, upon a system of law which counteracts the natural tendency to slip back into less-than-average integrity. ... it cannot be denied that market places the constant competitive struggle for self-assertion and self-advancement in the center of the stage. Nor can it be denied that such all-pervasive competition has a disturbing tendency to lead to consequences to which we cannot remain indifferent, especially from the moral point of view.... ... we should aim at compensating the socially disintegrating effects of competition by the integrating forces outside the market and outside competition" (p. 125). ".....We know well enough that it would be foolish to regard the market, competition, and the play of supply and demand as institutions of which we can always expect the best in all circumstances.... The highest interests of the community and the indispensable things of life have no exchange value and are neglected if supply and demand are allowed to dominate the field" (p. 127). As a supporter of the free market economy, Röpke is a severe critic of socialism, communism, and all forms of 'centrism' and he believes that "the decentrist must in all circumstances be a convinced universalist; he must keep his

eye on a larger community which is all the more genuine for being structured and articulated. His center is God, and this is why he refuses to accept human centers instead, that is, precisely that which consistent centrism, in the form of collectivism, intends to present him with" (p. 137). ".....The right spirit is one which enables us to combine an overall view with a sense of the particular. On the one hand, we should cultivate a universal approach to all intellectual, political, and economic regionalism and nationalism; on the other hand, we should prize variety and independence at all levels and in all spheres, on the basis of common patrimony of mankind, which is beyond all levels and spheres" (p. 233). On economics, Röpke expresses the view that "economics is no natural science; it is a moral science and as such has to do with man as a spiritual and moral being" (p. 234).

Röpke is quoted extensively here to illustrate how some of the concerns of Islamic economics is echoed in the writings of the earlier traditional economists. It also underlines the appeal made by Professor Salim Rashid and Professor Ali Khan for broadening the view of Islamic economics at this stage of its progress. See also "Against Mechanism: Protecting Economics from Science" by Philip Mirowski, published by *Rowan & Littlefield*; Totowa, New Jersey, 1988. In an essay by Peter Singer "Rights and the Market" in Justice and Economic Distribution, edited by John Arthur and William Shaw, Pentice Hall, Englewood Cliffs, New Jersey, 1990, (pp. 198-211), the author argues that what maybe rational for an individual in the market from an economic point of view can be irrational from a collective point of view because markets can restrict the options available to individuals and even violate their rights. Also useful are the papers, in the same collection of essays, by David Schweickett, "Capitalism, Contribution, and Sacrifice," (pp. 168-181) and "Efficiency Arguments For and Against the Market" by Allen Buchanan, (pp. 184-197) in the same book.

On economics' conception of man and the conflict between various dimension of this conception see Serge-Christopher Kolm "Altruism and efficiency" in *Ethics* Vol. 94, October 1983 (pp. 18-65). In this paper, Kolm discusses fallacies of Mandeville, Smith, Pareto, and Rousseau. He concludes this interesting paper by saying that "civilized society will not blossom unless the twenty-first century learns to abandon the fallacies of the eighteen. They have played out their ideological role: the individualization of society; the establishment of the individual as the foundation of legitimacy, both economic (private property and free trade) and political (democracy); and ultimately, of certain individual and collective liberties. Logically, the next stage is the liberation of the reciprocal altruistic extension of individuals which is necessary for the complete realization of their liberty" (p. 62).

On rationality and self interest: an assertion of Mancur Olson in his The Logic of Collective Action: Public Goods and the Theory of Groups, *Harvard University Press*, 1965, which came to be known as the 'zero contribution thesis' was that: "Unless the number of individuals in a group is quite small, or unless there is coercion or

some other special device to make the individuals act in their common interest, rational , self-interested individuals will not act to achieve their common or group interests." (p. 2). This suggests that the self-interested rational individual would, among other things, "not contribute to the production of a public good." (p. 137). See Elinor Ostrom, "Collective action and the evolution of social norms," *Journal of economic perspectives*, Vol. 14, No. 3, Summer 2000 (pp. 137-158), who provides contrary evidence and suggests that "recent developments in evolutionary theory—including the study of cultural evolution—have begun to provide genetic and adaptive underpinnings for the propensity to cooperate based on the development and growth of social norms" (p.154). By social norms, the author means norms, such as "reciprocity, trust, and fairness."

[13] For an example of differing views on this issue, see the discussions of the Round Table. On various definitions of Islamic economics, see Dr. Chapra's book The Future of Economics, footnote 14 (p. 141) for seven different definitions. His own definition is given on page 125.

[14] See Primitive, Archaic, and Modern Economics: Essays of Karl Polanyi, edited by George Dalton, 1971. There are some valuable and useful essays in this volume including "The Economy as an Instituted Process" (pp. 139-174), in which Polanyi suggests that the "substantive meaning of economic derives from man' s dependence for his living upon nature and his fellows. It refers to the interchange with his natural and social environment, insofar as this results in supplying him with the means of material want-satisfaction." The formal meaning of economics, he suggests, "derives from the logical character of the means-ends relationship, as apparent in such words as 'economical' or 'economizing'. It refers to a definite situation of choice, namely, that between the different uses of means induced by an insufficiency of those means. If we call the rules governing choice of means the logic of rational action, then we may denote this variant of logic, with an improvised term, as formal economics... the two root meaning of economics, the substantive and the formal, have nothing in common. The latter derives from logic, the former from fact. The formal meaning implies a set of rules referring to choice between the alternative uses of insufficient means. The substantive meaning implies neither choice nor insufficiency of means; man's livelihood may or may not involve the necessity of choice and if choice there be, it need not be induced by the limiting effect of a 'scarcity' of the means ..." (p. 140).

[15] Aside from the fact that the development of economics is culture-bound, the discipline itself has developed its own culture see Economics: The Culture of a Controversial Science, by Melvin W. Reder, The University of Chicago Press, 1999. Especially useful is the discussion of the development of the paradigm that dominates economics: the resource allocation paradigm, and the role of the rationality assumption, in Chapter 3 of the book. See also "Controversy: Is Economics a Moral Science" by Ricardo F. Crespo, in *Journal of Markets and Morality*, Vol. 1, No. 2,

Oct. 1998 (pp. 201-211), in which the author argues that economics is not a value-free science but a moral science in that it is a 'practical science' in the Aristotelian sense. See also Stefano Zamagni, "Economics and Philosophy: A Plea for An Extension of Economic Discourse." *International Economic Relations Seminar Series: Occasional Paper No. 1* (The Johns Hopkins University Center, Bologna, 1996). Jon D. Wisman argues the point that through a process of legitimation, "economics helps in the formation of society's beliefs since it not only informs as to what is but as to what ought to be as well." See his paper "Legitimation, Ideology-Critique, and Economics" in *Social Research,* 46, summer 1979 (pp. 291-320). He also suggests that "positive economics preserved economic thought's abdication of responsibility for addressing the practical problem of providing enlightenment as to the good and just economic order" (p. 315-316). William K. Tabb, in Reconstructing Political Economy: The Great Divide in Economic Thought, published by Routledge, London, 1999, attempts to reinterpret the thoughts of economists over the last two centuries in light of major changes that have occurred. This book is a good coverage of history and methodology of economics. Tabb suggests "there are now attempts to restore the holistic quality of economics or political economy as a social science" (p. 3). Also, he echoes Professor Ali Khan that economics had its origin in moral philosophy, but it has little to offer in terms of "guidance to those for whom decency, generosity of spirit, and an inclusive sense of community are valued." On the ongoing process of broadening economics, see Charles F. Manski, "Economic analysis of social interactions" in the *Journal of Economic Perspective,* Vol. 14, No. 3, Summer 2000 (pp. 115-136), in which two views of economics are offered, the "narrower view has been that economics is primarily the study of markets, a circumscribed class of institutions in which persons interact through an anonymous process of price formation. The broader view has been that economics is defined fundamentally by its concern with the allocation of resources and by its emphasis on the idea that people respond to incentives. In this view, economists may properly study how incentives shape all social interactions that affect the allocation of resources ... throughout much of the twentieth century, mainstream economics traded breadth for rigor .... the narrowing of economics ended by the 1970s. Since then the new phase has been underway, in which the discipline seeks to broaden its scope while maintaining the rigor that has become emblematic of economic analysis" (p.115). He then proceeds to show the major developments in this 'broadening' process. See also Professor Kazem Sadr: "Understanding the Organic and Interactive Relationships between Economics and Islamic Economic School," *Discourse,* Vol. 4, Nos. 3-4, winter–spring 2003 (pp. 67–110) who, along the line of Shaheed Al-Sadr, distinguishes between the 'science' and 'school' of Islamic economics. He sees no contradiction between the science of economics and 'school' of Islamic economics. Rather, he posits a mutually beneficial and complementary relationship between the two. Professor Sadr's view comes close to considering economics as a 'method' rather than a doctrine, 'an apparatus of the mind, a technique of thinking which helps its possessor to draw correct conclusion' which is the view of Keynes in the introduction to the Cambridge Economics Handbook 1941.

(1399H)

[16] Over two decades ago, Dr. Hasanuz Zaman pointed to the problem of defining Islamic economics within traditional 'means-ends' framework and provided an alternative definition (see, S.M. Hasanuz Zaman "Definition of Islamic Economics," *Journal of Research in Islamic Economics,* Vol. 1, No. 2, winter 1984 (pp. 55-60)). In this paper, the author refers to the Quran 41:10 and suggests that Allah (s.w.t.) "has created sufficient resources for His creatures. Therefore, scarcity may be either due to lack of proper utilization of natural endowments or an imbalanced distribution" (p. 55). This paper also draws main features of the difference between Islamic and traditional economics. Shaheed Al-Sadr in his classic book اقتصادنا, published by دار المعارف للمطبوعات بيروت (1399H) maintains the view that resources are not scarce, but see Professor K. Sadr 'sustainable development' Nam-e Mofid No. 17, 1999, (pp. 9-28), in which he suggests (p. 11) that Shaheed Al-Sadr in " اقتصادنا " holds the view that the scarcity assumption does not apply in the Islamic world view because Allah (s.w.t.) has provided enough resources to meet the needs of human society. Professor Sadr, however, interprets this position as referring to 'the long run' and that Shaheed did not mean that at micro level individuals are not faced with the scarcity problem. In this article, Professor Sadr presents an economic understanding of Islamic conditions for sustainable development. For a good coverage, as well as a restatement of Shaheed Al-Sadr's philosophical ideas see:

الدكتور محمد عبداللاوي : فلسفة الصدر : دراسات في المدرسة الفكرية للإمام الشهيد السيد محمد باقر الصدر-- طاب ثراه – مؤسسة المعارف للمطبوعات : بيروت – لبنان ١٤٣٣ ه – ٢٠٠١ م.

See M.B. As Sadr, Our Philosophy, translated by Sham S. C. Inati, Muhammadi Trust, London, 1987. Dr. Taj El-Din defines "علم الاقتصاد الإسلامي" in his paper "ما هو الاقتصاد الإسلامي" (Review of Islamic Economics, Vol. 3, No. 2, (1994)) "نظام في السياسة الاقتصادية يستهدي بالكتاب والسنة في مواجهة مشكلته الاقتصادية" and divides Islamic economic policies as:

"والسياسات الاقتصادية الإسلامية بعضها توجيهات ثابتة لا تتغير بالزمان أو بالمكان (مثل الحث على التصدق ، وتحريم الربا ، وفرض الزكاة) وبعضها الآخر ارتبط بظروف اقتصادية قابلة للتلبس في ظروف جديدة (مثل النهي عن تلقي الركبان وعن بيع الحاضر للباد) وبعضها ارتبط بحادث وقتي معين على عهد النبي صلى الله عليه وسلم (مثل النهي عن أكل لحوم الأضاحي بعد ثلاث) ولو تدبرناها لوجدنا أنها واجهت مشكلات واقعية في العصر النبوي وتقوم على تغليب فرضية الشح في طبع الإنسان" .

On the notion of scarcity, see Dr. Taj El-Din: "ما هو الاقتصاد الإسلامي" (p. 100)

"وبالطبع لا يمكن قبول قول بعض الاقتصاديين الإسلاميين أن ندرة الموارد بالنسبة لحجم الرغبات ليست مشكلة اقتصادية من المنظور الإسلامي . كما لا يمكن قبول القول الآخر بأنها هي "المشكلة الاقتصادية من المنظور الإسلامي" . والجدير بالذكر أن أكثر الخلافات التي نشأت بين الاقتصاديين الإسلاميين حول "المشكلة الاقتصادية" كانت تتركز حول الموقف من مشكلة "ندرة الموارد" ، ولكن المدخل المناسب لهذه المسألة في تقديرنا هو العمل على تحديد المشكلة المحورية البديلة التي ينفعل بها علم الاقتصاد الإسلامي ، وهذا ما أغفلته الأدبيات الجارية .... إن غياب هذا المدخل يفسر عجز العقلية الاقتصادية المعاصرة عن فهم ثوابت السياسة الاقتصادية الإسلامية (مثل تحريم الربا) لأن هذه العقلية تشربت "المشكلة الاقتصادية" التي تمثل قطب الرحى لثوابت السياسة الاقتصادية الوضعية وتفريعاتها . ولن نذهب بعيدا في البحث قبل الاهتداء من الكتاب والسنة إلى مشكلة المحورية التي ينفعل بها علم الاقتصاد الإسلامي وهي في تقديرنا : نزوع قوة التنافس الاقتصادي نحو تركيز الثروة وتعريض كرامة الإنسان إلى ذل الفقر" .

For an excellent paper that in a short space of thirty pages covers methodological issues of major significance, see Jon D. Wisman "Towards a Humanist Reconstruction of Economic Science." *Journal of Economic Issues*, Vol. XIII, No. 1, March 1979 (pp. 19-48), (notes and references are also valuable contributions in themselves). He suggests that "economics' pretense to ethical neutrality is a delusion" (p. 33), along the same line see his paper "Legitimation, Ideology-Critique and Economics" in *Social Research*, (pp. 291-320), in which he addresses the question "whether economic theory's particular mode of legitimation serves to further the unfolding of human potential or, conversely, acts to wart liberation and thereby enslave humans." He concludes, echoing Polanyi, that 'the economic problem can be viewed as both material and social. To the extent that the material problem of overcoming privation and scarcity entails the control and manipulation of material reality, positivist or objectivist methodology-guided by a technical interest and utilizing means-ends rationality is a great utility. However, ultimately the economic problem must be viewed as social or political. As such economic science must be guided by practical interest in achieving understanding as to the ethical norms consonant with a good and just economic order. A liberating economic science cannot eschew values" (pp. 319-320).

[17] See Elias L. Khalil "On the Scope of Economics: What is the Question?" Finnish Economic Papers, Vol. 8, No. 1, Spring 1995 (pp. 40–55), for a useful discussion of 'means-end' definition of economics. In a curious and cryptic footnote 2 (p. 42), he says: "Ironically, the etymology of the English word 'economics' in Greek: 'oikonomikos' (literally: house management) does not concur with Robbin's meaning of the word. Incidentally, the Arabic word for economics, 'iktisad' squarely fits Robbins's sense." It is difficult to see how an etymology of iqtisad (اقتصاد) could possibly square with the definition of economics by Robbins. The derivatives of this term from the root 'qasada' (قصد) appears in the Quran, and in its own form اقتصاد appears in the earliest sources, including in the Ahadeeth of the Messenger صلى الله عليه وآله وسلم and refers to a much deeper and more complex constellation of behavioral rules and norms. It is so desirable, as a mode of behavior, that it is made a subject of prayer and supplication (see note 1 above).

[18] Kenneth J. Arrow, "Economic Theory and the Hypothesis of Rationality," *The World of Economics* (p. 198). J.C. Harasanyi "Morality and the Theory of Rational Behavior," *Social Research 44* (pp. 623-656). On rationality, see the collection of essays in Rationality in Economics: Alternative Perspectives, edited by Kenneth Dennis; *Kluwer Academic Publishers*, 1998. On the criticism of neoclassical assumptions from the perspective of methodology of subjectivism, see Subjectivism, Intelligibility and Economic Understanding, *New York University Press*. It is a collection of 24 essays in honor of Ludwig M. Lachman, nearly all which constitute criticism of the assumptions of neoclassical economics, including rationality, perfect information and perfect foresight, and the competitive equilibrium. The volume includes ideas useful to development of Islamic economics, including a paper by Don Lavoie on Hermeneutics, and another by Willie Meyer on "Beyond Choice." The list of references of the papers in this volume are also useful.

Further on rationality, see H. Margolis, Selfishness, Altruism, and Rationality, *Cambridge University Press*, 1982. M.S. McPherson "Limits on Self-Seeking: The Role of Morality in Economic Life" in Neoclassical Political Economy, edited by D.C. Colander; Ballinger, *Cambridge University, Mass*. 1984. also, A. Sen "Rational Fools: A Critique of the Behavioral Foundation of Economic Theory," *Philosophy and Public Affairs*, Vol. 6, No. 4, Summer 1977 (pp. 317-344). Also Scott Moss Markets and of Macroeconomics, *Blackwell, New York*, 1983 in which he suggests "..... an individual is rational if he formulates well-defined objectives and refrains from acts that he believes will frustrate the attainment of those objectives" (p. 2), based on this he suggests that this assumption is enough to develop an efficient-market hypothesis. On economic man, see "Some Conceptions and Misconceptions Concerning Economic Man" by Stephen Lofthouse and John Vint in *Revista Internationale di Scienze Economiche e Commerciali: International Review of Economics and Business*, Vol. XXV, No. 7, July 1978, in which the authors review the position of early economists and conclude that the "extreme view of economic man presented in our first section cannot be said to be typical of all economists for all time periods. More specifically, it would seem to represent the view of very few economists..... There are two problems: first, the essentially non-empirical nature of economic man, and second, the problem of operating with a partial view of man." (p. 610). See also Joan Robinson Economics Philosophy, published by Doubleday, 1964. For a thoughtful discourses on epistemology of economics and the role of reason in economics see Philosophy of Economics: On the Scope of Reason in Economic Inquiry by Subroto Roy, published by Routledge, London 1991. Professor Roy begins his investigations from Hume and traces the epistemological dimensions of economic thought from 'objectivity' to 'means-end' definition of economics to present day economic thought. Particularly important is his explanation of how "post-scholastic moral skepticism in Europe eventually transformed the 'theory of value' into 'the neoclassical' notion of the concept of value as fully and exactly synonymous with the concept of scarcity or market value ..." (p. 40), see also (p. 37) "... the theological culture of medieval Europe would come to be deeply influenced by the rediscovered works of Plato and Aristotle, with a synthesis of medieval Christianity was sought to be made." Scholarship has shown that Plato and Aristotle arrived in Europe to influence medieval Christianity only through Muslim mediation which had already placed the thinking of the Greeks within a theistic framework to make reason compatible with revelation. See also, Homa Katouzian, Ideology and Method in Economics, *Macmillan Press,* London 1980.

Joan Robinson in her paper "What are the Questions?" in *Journal of Economic Literature*, Vol. 15, No. 4, December 1977 (pp. 1318-1339) raises a number of questions for which economics has no answers, including 'the greatest of all economic questions, but one that in fact is never asked: what is growth for?' (p. 1337). It is important for Islamic economics to address this and other fundamental questions for which there are clear Islamic answers. As Robinson also suggests "... the neoclassicists conceived the subject of production to be provision for consumption. But consumption by

whom, of what?" (p. 1337). In this context, a recent multidisciplinary study asks "Are We Consuming Too Much?" by Kenneth Arrow, et. al., in *the Journal of Economic Perspective,* Vol. 18, No. 3, summer 2004 (pp. 147-172) and reports on interesting results and insights. See M.B. As Sadr Our Philosophy, translated by Sham S. C. Inati, Muhammadi Trust, London, 1987. See also Joseph E. Stiglitz Whither Socialism? *The MIT Press*, 1996, on the shortcomings of the neoclassical economics, particularly the Fundamental Theorems of welfare economics and on the fact that these theorems were shared by socialism, which Stiglitz believes was a major reason for its downfall.

On welfare economics see Allan M. Fieldman Welfare Economics in the *World of Economics* (pp. 713-714). On the Islamic views on ontology and epistemology, see various papers on History of Islamic Philosophy, edited by Seyyed Hossein Nasr and Oliver Leaman, published by Routledge, London, 1996, reprinted in 1997 and 1999. See also John E. Harasanyi "Value Judgments" in *the World of Economics* (pp. 702-705). As Harasanyi says: "Arrow's social choice and individual values showed how to express alternative value judgments in the form of precisely stated formal axioms, how to investigate their logical implications in a rigorous manner, and how to examine their mutual consistency or inconsistency" (p. 704).

[19] On the New Institutional Economics, see the collection of papers edited by Richard Langlois, Economics as a Process: Essays in the New Institutional Economics, *The University of Chicago Press*, 1986. On institutions see Douglass C. North's Nobel Lecture published in *The American Economic Review* as "Economic Performance Through Time," Vol. 84, June 1994 (p. 359-368). Also see "Institutions and Governance of Economic Reform" by Oliver E. Williamson in *Proceedings of the World Bank Annual Conference on Development Economics*, 1994 (pp. 171-197); and "Comment" by Robert D. Putnam as well as the paper by Jon Elser "The Impact of Constitutions on Economic Performance" (pp. 209-226), as well as "Comment" by Adam Przeworski in the same Proceedings.

A recent paper by Hall and Jones "Why Do Some Countries Produce So Much More Output Per Worker Than Others?" in *Quarterly Journal of Economics*, Vol. 114, No. 1, February 1999, (pp. 83-116) reports that countries with a better institutional environment have a much higher level of productivity. The paper explains that there is enough exogenous variation in structural policies and institutions to identify a causal link from institutional quality to productivity. What are the features of good institutions? The answer depends on the perceptions about the protection of property rights, absence of corruption in the public sector, and respect for the rule of law. These perceptions reflect institutions themselves as well as structural policies, including an independent and effective judiciary, quality of bureaucracy, constitutional features that guarantee basic political and civic rights, checks and balances on the executive. In this regard, an important paper is "Unbundling Institutions" by Acemoglu and Johnson, *NBER Working Paper* No. 9934, 2003, which shows that two sets of institutions, property rights institutions and contractual institutions, are crucial. The former are

defined as technologies for avoiding expropriation of property and the latter as technologies for enforcing contracts. See Economic Behavior and Institutions by Thranin Eggertsson, *Cambridge University Press*, Cambridge, 1990. The author utilizes the New Institutional Economics (NIE) to explain the workings of the economy and how institutions, specifically property rights and rules that deal with transaction costs, organize collective behavior. In recent interesting paper, B.F. Jones and B.A. Olken ("Do Leaders Matter?" *NBER*, July 2004) suggest that leaders can play a crucial role in economic growth through their influence on economic institutions.

On bounded rationality, see Herbert A. Simon Models of Bounded Rationality, the *MIT Press*, 1982. See 'Rationality' (pp. 405-407); "Themes of Bounded Rationality," (pp. 408-423); "From Substantive To Procedural Rationality" (pp. 424-443); "Rationality As Process and as Product of Thought" (pp. 444-459). Also see Debra Staz and John Ferejohn "Rational Choice and Social Theory." *Journal of Philosophy,* Vol. 91 (pp. 71-87). Simon proposed his concept of 'bounded rationality' in 1957 along with his idea that because information is costly and not available, rather than optimizing, firms 'satisfice' that is they do not go beyond a level of satisfaction. In Competition and Cooperation: James E. Alt, Margaret Levi, and Elinor Ostrom, published by *Russell Sage Foundation*, New York, difficulties with various assumption of neo-classical economies are discussed. On cognitive science, see also this volume. This is a useful book that discusses the ideas of Noble prize winners: Gary Becker, Kenneth Arrow, Herbert Simon, James Buchanan, Douglass North, Richard Selten; a series of papers summarizing the impact of each of these scholars on economic and political science. The responses of the Noble Prize winners are also insightful.

On behavioral and experimental economics see Colin Camerer "The Behavioral Challenge to Economics: Understanding Normal People," paper presented at a conference on "How Humans Behave," June 8 – 10, 2003, Federal Reserve of Boston. On behavioral economics, see the *NBER Working paper 7948* "Behavioral economics" by Sendhil Mullainathan and Richard H. Thaler, National Bureau of Economic Research, October 2000, for an overview of the subject. See also Advances in Behavioral Economics, edited by Colin Camerer, et. al., *Princeton University Press*, 2004. For an excellent book incorporating a number of recent developments in behavioral economics, see Microeconomics: Behavior, Institutions, and Evolution by Samuel Bowles, *Princeton University Press*, 2003. On game theory see Roger B. Myerson "Nash Equilibrium and the History of Economic Theory," *Journal of Economic Literature*, Vol. 37, No. 3, September 1999 (pp. 1067-1982), in which the author suggests that "by accepting non-cooperative game theory as a core analytic methodology alongside price theory, economic analysis has returned to the breadth of vision that characterized the ancient Greek social philosophers who gave economics its name" (p. 1081).

On evolutionary thinking in economics, see Richard R. Nelson and Sidney G. Winter, "Evolutionary Theorizing in Economics," *Journal of Economic Perspectives*, Vol. 16,

No. 2, Spring 2002 (pp. 23-46). On contract theory, see L. Werin and H. Wijkander, editors: Contract Economics, *Basil Blackwell, Oxford*, 1992. See also "Financial Risk and the Burdens of Contracts" by Herman B. Leonard and Richard J. Zeckhauser in *American economic review*, May 1985 (pp. 375-380). On the importance of contract and governance in Islam, see "The Muslim Ruler and Contractual Obligations" by Anderson and Coulson, *New York University, Law Review*, Vol. 33, No. 7, Nov. 1958. Given the importance of contracts as a crucial institution in Islamic thought, analysis of their formation is critical to the understanding of their role as is the analysis of the Islamic behavioral assumptions prior to their formation. Contrasting this understanding with that from the rational choice theory that assumes preferences are given exogenously, and that parties to a contract maximize their expected utility, could provide valuable insights. It is worth noting that the literature on law and economics operationalizes the maximization of expected utilities by assuming that, while negotiating and forming contracts, parties will act to maximize their expected wealth. Behavioral and experimental economics attempts to modify the exogenity assumption by considering the possibility of endogenous formation of preferences. See, for example, Pussell Korobkin "Behavioral Economics, Contract Formation, and Contract Law" in Behavioral Law and Economics, edited by Cass R. Sunstein; Cambridge University Press 2000 (pp. 116–143). In Islam, while 'justice' is the criterion of relationships between Allah and man, between man and man, between man and nature, contracts are the means of establishing these relationships. See Tariq Ramadan Western Muslims and the Future of Islam, *Oxford University Press*, 2004 (especially pp. 89-94; pp. 151-153; and pp. 179-199). On the institution of contracts in Islam from a legal point of view see P. Nicholas Kourides "The Influence of Islamic Law on Contemporary Middle Eastern Legal System: the Foundation and Binding Force of Contracts" in *Columbia Journal of Transnational Law*, Vol. 9, No. 2, 1970, (pp. 384-435).

[20] On trust, see P. Dasgupta; "Trust as a Commodity;" *Economic Theory Discussion Paper (No. 101), University of Cambridge*, April 1986. See also Professor Ali Khan' s paper "On Trust as a Commodity and on the Grammar of Trust," in *Journal of Banking and Finance*, 26, 2002 (pp. 1719-1766). On trustworthiness see "Evolutionary Norm Enforcement" by Werner Güth and Axel Ockenfels, *Journal of institutional and theoretical economics,* Vol. 156, 2000 (pp. 335-347). On commitments, promising and trust see Michael H. Robins, Promising, Intending, and Moral Autonomy, *Cambridge University Press*, 1984. On reciprocity, see "Fairness and Retaliation: The Economics of Reciprocity" by Ernst Fehr and Simon Gächter in the *Journal of Economic Perspective*, Vol. 14, No. 3, summer 2000, (pp. 159-181), in which they argue that "... a sizable portion of economic actors act on considerations of reciprocity." Also provide evidence that "strongly suggests that reciprocity substantially contributes to the enforcement of contracts" (p. 170).

See Hoffman, McCabe and Smith, "Behavioral Foundation of Reciprocity: Experimental Economics and Evolutionary Psychology" in *Economic Inquiry*, Vol. 36, July 1998

(pp. 335-352) which, based on evidence from Game theory, experimental economics and evolutionary psychology, develops a reciprocity framework of cooperation. On reciprocity and the market economy, see Karl Polanyi's anthropological and historical views in Primitive, Archaic, and Modern Economies, edited by George Dalton, Beacon Paperbacks, 1971, particularly his essays on "Societies and Economic Systems" (pp. 3-26) and "The Self-Regulating Market and the Fictitious Commodities: Labor, Land, and Money" (pp. 26-37).

Incentive compatibility concept has been useful in Islamic banking and finance, for a recent example; see "Incentive-Compatible Profit-Sharing Contract: A Theoretical Treatment" in *Islamic Banking and Finance*, edited by Munawar Iqbal and David T. Llewellyn, published by Edward Elgar, UK, 2002.

On property rights, see the collection of paper on Economic Foundation of Property Law, edited by Bruce A. Ackerman, published by *Little, Brown and Company, Boston*, 1975. See also Louis De Alessi "Property Rights, Transaction Costs, and X-Efficiency: An Essay in Economic Theory," *American Economic Review,* Vol. 73, March 1983 (pp. 64-81), and also Harvey Leibenstein, "Property Rights and X-Efficiency: Comment," *American Economic Review,* Vol. 73, Sept. 1983 (pp. 831-845). For importance of property rights, see "Establishing property rights" by Andrei Shleifer in Proceedings of the World Bank Annual Conference on Development Economics, 1994, published by the World Bank in 1995, which discusses establishing property rights in East European transition economies but is relevant to Muslim societies with poorly defined property rights.

[21] See Abbas Mirakhor "Muslim Contribution to Economics" first presented at the *Midwest Economic Association Meeting*, April 7-9, 1983, and reprinted in Essays on Iqtisad by Al-Hassani and Mirakhor, Global Scholarly Publication, New York, N.Y. The list of references to this paper provides sources of information on Muslim scholars' contributions to Medieval thought.

[22] See Odd Langholm; Price and Value in the Aristotelian Tradition who also says:
"it is easy now to forget that those who laid the foundation of modern economics in the eighteen century were as familiar with the accumulated knowledge of scholastic analysis as the average twentieth century economist is ignorant of it. Vital elements of new theories, on which these authors did not elaborate because they took them for granted, were inheritances from the medieval schools" (p. 11), in Odd Langholm Price and Value in the Aristotelian Tradition, published by the *Norwegian Research Council for Science and The Humanities,* 1979, distributed by *Columbia University Press*, a most valuable book on the beginning stage in the process of tracing influence of Muslim scholars on economics. Langholm asserts that "if a certain general moral code is to find expression in consistent rules of conduct in a specific area, for instance in terms of economic variables, the working of the economic system on which these variables operate must be to some extent understood. The ethical motive then

reverts to the immediate intellectual need of all positive analysis ...” (p. 27); also see G.F. Hourani, “Two Theories of Value in Medieval Islam,” *The Muslim World, XLIX,* 1959 (pp. 269-278).

[23] John Hicks “Rational Behavior--Observation or Assumption?” in <u>Subjectivism, Intelligibility and Economic Understanding</u>; edited by Israel M. Kirzner; New York University Press, New York, 1986.

[24] On Liber Abaci, see C. Singer, “East and West in Retrospect” in <u>A History of Technology</u>; edited by Singer, et. al, Oxford 1956. See also G.E.M. de Ste Croix, “Greek and Roman Accounting” in <u>Studies in the History of Accounting</u>; edited by A.C. Littleton and B.S. Yamey, 1956.

[25] See H. Bernardelli, “The Origins of Modern Economic Theory,” *Economic record*, Vol. 37, 1961 (pp. 320-338).

[26] For examples of efforts at reinterpreting Adam Smith, see David Lieberman; “Adam Smith on Justice, Rights, and Law;” *Boalt Working Papers in Public Law, University of California*, Berkeley (paper No. 67), 1999. Also, see Elias L. Khalil, “Is Justice the Primary Feature of the State? Adam Smith Critique of Social Contract Theory,” *European Journal of Law and Economics*, Vo. 6, No. 3, November 1988 (pp. 215-230). Also see his paper “Beyond Self-Interest and Altruism” in *Economic and Philosophy*, Vol. 6, No. 1, April 1990 (pp. 255-273), on Adam Smith’s views on the human nature.

[27] On rules of market behavior in Islam see Dr. Mabid Ali Al-Jarhi, “A Short Discourse on Markets in an Islamic Economic System” draft paper presented to the Roundtable on Islamic Economics, May 26-27, 2004. One of the earliest notes on the rules of market was written by
حسين حسين شحاتة : "الرقابة على الأسواق في ضوء الشريعة الإسلامية" ، كلية التجارة – جامعة الأزهر ١٤٠٠ ه .
in which the author draws hermeneutical meaning from the rules. See also Professor Muhammad Lawal Ahmad Bashar, “Price Control in an Islamic Economy*,” Journal of King Abdul Aziz University: Islamic Economics*, Vol. 9, 1997 (pp 29–52).
د. محمد أنس الزرقا : "قواعد المبادلات في الفقه الإسلامي ، مقدمة لاقتصاديين" : مجلة بحوث الاقتصاد الإسلامي
ع ٣ م ١ (١٩٩١) ص ٣٥ – ٧٠ ، مجلة أبحاث الاقتصاد الإسلامي . See also his
العدد الأول – المجلد الثاني (١٩٨٤) ص ١ – ٥٠ . "نظم التوزيع الإسلامية" مجلة أبحاث الاقتصاد الإسلامي ،

[28] Adam Metz describes various markets in existence in Fourth Century, AH, in Chapter 26 of his book <u>الحضارة الإسلامية في القرن الرابع الهجري</u> translated by محمد عبد الهادي أبوريده, published in Beirut, Lebanon in 1967.

On history, see <u>History of Monetary Systems in Various States</u>, by Alexander Del Mar, published by Angustus M. Kelly, New York (pp. 163-199). Also see “Trade in Classical Arabic Literature” by Joseph DeSomogyi in *The Muslim World*, April 1965 (pp. 131-

134), in which the author discusses the ideas of Ghazali, Ibn Khaldun, Al-Dimashqi with emphasis on the latter about whom he says: “From Al-Dimashqi’s discussion, it appears that his theory of money basically agrees with the western theory of much later origin” (p. 133). On Dimashqi, see also A. Mirakhor “Contribution of Muslim Scholars to Economics”. Also see S.M. Imamuddin, “Bayt Al-Mal and Banks in the Medieval Muslim World” in *Islamic culture*, January 1960. This is an important paper in its hermeneutics dimension. One of the references of some importance in this paper is Al-Tanzimat al-Ijtimãiyah wal-Iqtisadyah fil Basrah, by Ahmad Ali, published in Baghdad in 1953, but apparently not easily available today. The author refers to بيت المال as a ‘central bank.’

[29] A contribution to hermeneutic or interpretive approach to economics is Donald McClosky, The Rhetoric of Economics, *University of Wisconsin Press*, 1985. By hermeneutics in the present note it is meant drawing economic meaning from the Islamic sources. It is worth noting its difference with the new field of investigation that attempts to marry rational choice and hermeneutics in the Austrian tradition of Von Mises, Weber, Shutz, Hayek, and the subjectivist school. On this latter see Economics and Hermeneutics, Don Lavoie, ed., Routledge, London, 1991; also Individuals, Institutions, Interpretations: Hermeneutics Applied to Economics, edited by David L. Prychitko and published by *Avebury Publishing, Aldershot*, U.K., 1995. There are also three useful papers by: Bruce Coldwell “Does Methodology Matter? How Should It Be Practiced?” D. Wade Hands, “Thirteen Theses on Progress in Economic Methodology,” and Uskali Mäki “Methodology of Economics: Complaints and Guidelines,” *Finnish Economic Papers*, Vol. 3, No. 1, 1990.

For economic hermeneutics of scholastic ideas on various notions of justice from a Catholic perspective, see the brief paper of Bernard W. Dempsey, “Ability to Pay” in *Quarterly Journal of Economics*, Vol. LX, 1946 (pp. 351-364). See also Stephen Theodore Worland, Scholasticism and Welfare Economics, *University of Notre Dame Press*, 1967, and R. de Roover “Scholastic Economics: Its Survival and Lasting Influences.” *Quarterly Journal of Economics*, March 1955.

In his writings on Islamic economics, Professor Ali Khan exemplifies the use of economic hermeneutics (for example, see his hermeneutics in case of various verses in the Quran in his globalization paper to obtain “... an Islamic representation of the life-cycle model of the individual consumer.) For more examples on economic hermeneutics, see the imaginative paper by Professor Najah Aleem Abu El-Futuh, “Time Preference and the Decision to Save in an Islamic Economy,” *Journal of King Abdul Aziz University*: Vol. 9, 1997 (pp. 71–94). See K. Sadr “Experience of Earliest Muslims in Achieving Economic Development” in the collection of papers presented in the first seminar on *Islam and development*; Shaheed Beheshti University, 1997 (pp. 577-602). And

الأستاذ مختار متولي : "أحكام الشريعة الإسلامية ودالة الاستهلاك في الدول الإسلامية المعاصرة : دراسة قياسية"، مجلة جامعة الملك عبد العزيز : الاقتصاد الإسلامي ، مجلد ١ : ص ٣ – ٤١ (١٤٠٩ ه – ١٩٨٩ م ) .

On history of economics of early Islam, see:

د. منذر قحف : "الأسعار النسبية في المدينة المنورة في عهدين النبوي والراشدي" . مجلة بحوث الاقتصاد الإسلامي ، العدد الأول ، المجلد ٢ ، ص ١ – ٤٣ .

For another example of economic analysis based on hermeneutic, see:

د. عبد القادر عطية : "تحليل اقتصادي لظاهرتي الغش والتجاري وتخسير الميزان" ، مجلة بحوث الاقتصاد الإسلامي العدد الأول ، المجلد ٣ (١٤١٤هـ) ص ١ – ٢٦ . الأستاذ رفيق المصري : مشاركة الأموال الاستعمالية (الأصول الثابتة في الناتج أو في الربح " مجلة الاقتصاد الإسلامي ، مجلد ٣ ، العدد ١ ، ص ٣ – ٥٦ (١٩٨٥) .

Professor Al-Misri critiques the position of Shaheed Al-Sadr's book اقتصادنا on the topic of " مشاركة الأموال الاستعمالية ". See his useful list of references. An attempt at combining economic hermeneutics of Islamic concepts and formal economics is the paper by Professor Shamim Ahmad Siddiqui, JKAU: Islamic Economics, Vol. 8, 1996 (pp. 3-29). See also Ridha Saadallah: "Concept of Time in Islamic Economics," *Islamic Economics Studies*, Vol. 2, No. 1, December 1994 (pp. 81–102); "A Quranic Model for a Universal Economic Theory" by Professor Mohammad E. Braima in JKAU: Islamic Economics, Vol. 3 (p. 341, 1991); Prof. Masud Alam Choudry's comments on M.E. Braima in Journal of King Abdul Aziz University: Islamic Economics, Vol. 5, 1993 (pp. 61); Professor Sayyed Kazem Sadr, Economy in Early Days of Islam, Shaheed Beheshti University, 1995, Tehran, Iran. Based on this last study, Professor Sadr presents economic hermeneutic analyses of "Fiscal Policy in Early Islam" and "Money and Monetary Policy in Early Islamic Period," published in Essays in Iqtisad, edited by Al-Hassani and Mirakhor: *Global Scholarly Publications*, New York, N.Y., 2003.

[30] On studies on the self see Richard H. Thaler and H.M. Sherfin "An Economic Theory of Self-Control" *Journal of Political Economy*, Vol. 89, No. 2, 1981 (pp. 392-406) which develops a 'two-self' model within the neoclassical tradition. See also the various writings of Serge Christopher Kolm on the subject, e.g., "The Buddhist Theory of 'No Self' in an interesting volume The Multiple Self edited by Jon Elster, Cambridge University Press (pp.233-263). There are other interesting papers in this volume, including the introductory paper by Jon Elster; "The Mind as a Consuming Organ" by Thomas Schelling; "Goethe's Faust, Arrow' s Possibility Theorem and the Individual Decision-Taker" by Ian Steedman and Ulrich Krause. See also Charles Taylor Sources of Self, Cambridge University Press, 1989. On self-interest, and interests in general, see Albert O. Hirshman "Interests" in World of Economics (pp. 349-360); also "Self-Interest" by D.H. Monroe (pp. 640-645), in the same volume.

[31] Note that in an Islamic view, tastes, and preferences change not only due to the dynamism of the economy—a view held by the subjectivists—but also because " نفس"

is always in a dynamic inner motion. As the " نفس" changes and moves within a spectrum extending from " أسفل السافلين " to " أعلى عليين " ; from " النفس الإمارة " to " النفس المطمئنة " its tastes and preferences and its economic behavior change. See Laleh Bakhtiar, "Traditional Islamic Psychology: Seeking Balance" in Knowledge is Light: Essays in Honor of Seyyed Hossein Nasr; edited by Zeilan Moris; Kazi Publications; Chicago, Illinois, 1999 (pp. 97-113). One of the most coherent, and logically consistent treatment of the ontological and epistemological dynamic motion of " نفس " from an Islamic point of view is presented by Mulla Sadra in his 9-volume book:

الحكمة المتعالية في الأسفار العقلية الأربعة ، ٩ مجلدات ، دار الحياة التراث العربي ، الطبعة الثالثة ١٩٨١م والطبعة الرابعة ١٩٩٩م – ١٤١٥ه ، بيروت – لبنان .

One of the best biographies of Mulla Sadra is written by السيد جمال محمد صالح اليوزبكي "غضبة الفلاسفة أو الغضبة المتعالية" : مؤسسة حكمة صدرا الإسلامية ، ١٩٩٩م (e-mail: mullasadra@dpir.com ; home page: www.mullasadra.org). Mulla Sadra understands from the Quran that man has both a cosmic and an acosmic character. The former includes all cosmic elements. Through the series of verses of Quran indicating the creation of man

من تراب ، من طين ، من سلالة من طين ، من طين لازب ، من صلصال من حمإ مسنون ، من صلصال كالفخار .

Mulla Sadra says that man's cosmic character contains all elements found in nature. Once Allah (s.w.t.) creates man, He (s.w.t.) completes that creation by the declaration of ونفخت فيه من روحي – man's acosmic character – and the process is perfected with the provision of the knowledge and wisdom of all things – وعلم آدم الأسماء كلها -- implying that the essences of all the phenomena of the universe are enfolded in the primordial nature "فطرة" of man. Therefore, man has the potential of knowing all phenomena and confer names on them; he is able to comprehend and accept abstract concepts and intelligible forms. But man's existence is ambiguous because ontologically he is only a contingent or a possible being –ممكن الوجود— that is for man, being and non-being is possible simultaneously; he can surpass the angelic state, highest of the high "أعلى عليين" , or sink to the position of the lowest of the low "أسفل السافلين". Based on the Hadeeth of الرسول صل الله عليه وآله وسلم that " أول ما خلق الله العقل" Mulla Sadra suggests that the first thing Allah (s.w.t.) created was the intellect and the last thing was man, who is the bearer of that intellect; i.e., that is why man is considered the crowning achievement of the creation. It is through the inner dynamic or transubstantial motion – الحركة الجوهرية – that man, through the ceaseless upward journey of the نفس moves toward the Supreme Creator (s.w.t.). The نفس is both the way and the carriage of this journey; it is the real doer and actor of all activities at every stage of life on this plane of existence. At every stage of its evolution toward perfection, the نفس acquires faculties, the most important of which is the intellect. And, intellect is divided into practical (عملي) and theoretical (نظري) intellect, each of which performs functions assigned to it. The former, that is practical intellect, deals with behavior under the rules of the شريعة , it cleanses the نفس from impurities, provides the نفس with knowledge, and finally directs it toward its Creator. The theoretical intellect is capable of cognitive

abstractions: in the first stage it cognates abstract forms -العقل – الهيولاني in the second stage it can cognate apriori truths and facts in the surrounding environment that lead to habit formation - العقل بالملكة - in the third stage the intellect becomes fully active in directing the نفس beyond material concerns and preoccupations - العقل بالفعل - and the final stage is when the intellect is itself fully transformed and, in turn, it transforms the نفس to the point of cognating the nonmaterial essences. These inner dynamic motions of نفس – عقل , that is the transubstantial motion الحركة الجوهرية corresponds to the journey of شيخ الأنبياء إبراهيم عليه السلام where at the end of his inner journey, he was given access to the inner essence of existence by Allah (s.w.t.) as reflected in the Verse 75, Chapter 6: "وكذلك نرى إبراهيم ملكوت السموات والأرض" . In Verse 185, Chapter 7, Allah (s.w.t.) says: " أولم ينظروا في ملكوت السموات والأرض " which is considered by مفسرين as an invitation to all mankind to follow the example of إبراهيم عليه السلام . It is clear that, from the Islamic ontological and epistemological viewpoint, preferences cannot be assumed constant. It is therefore imperative that Islamic economics develops a behavioral dimension—both theoretically and empirically—a point cogently advocated by Dr. Fahim Khan.

On the نفس and its movement, see Allama Dr. Muhammad Iqbal, The Reconstruction of Religious Thought in Islam, *Academy of Letter, Islamabad* 1996, especially Chapter IV, (pp. 76 98). On Mulla Sadra see the translation of his " أكسير العارفين " by William C. Chittick as The Elixir of the Gnosis, *Brigham Young University Press*, Provo, Utah, 2003. Also Mulla Sadra: His Life and Works by Hossein Ziai; and Mulla Sadra: His Teachings by S.H. Nasr, (pp. 635-642) and (pp. 643-663), respectively, in History of Islamic Philosophy, edited by Seyyed Hossein Nasr and Oliver Leaman, Routledge, London, 1999. See also The Philosophy of Mulla Sadra by Fazlur Rahman, published by the State University of New York Press, Albany, 1975.

32 While, thus far, Fiqh has generally been used as a source of explanation of behavioral rules of participation in exchange and markets, it is also a fertile ground for generating ideas that could be applied in different contexts. An example is the idea of worthiness (مالية), which has the potential for providing a basis for explaining microeconomic behavior and market clearing. مالية is defined as the characteristic of مال .

Imam Khomeini in his book "المكاسب المحرمة" says that:

"... إن مالية الأشياء متقومة بوجود منفعة لها وإمكان الانتفاع بها ، فكما إن الشيء إذا كان مسلوب المنفعة مطلقا تكويناً لا يعتبره العقلاء مالاً و لا ملكاً ، .... (ص ١١٩) and "... أي ما لا تكون له منفعة مطلقا أو عقلائية لكن كان في المعاملة غرض عقلائي موجب لاشترائه .... وذلك لأن مالية الشيء تابعة وجودا ومرتبة للعرضة والتقاضا ، فما لا منفعة له مطلقا لو تعلق باشترائه وحفظه أو اشترائه وإعدامه ، غرض سياسي أو غيره من الأغراض العقلائية فصار ذلك منشأ للرغبة إلى اشترائه : أوجبت تلك الرغبة وذلك التقاضا حدوث المالية فيه ، فلو تعلق غرض دولة باشتراء ما منفعة له من ناحية من النواحي لأغراض سياسية فأوجدت بقدرتها السوق لذلك المتاع : صار قيمة لدي العقلاء من غير لحاظ أن اشترائه بأي غرض كان ، وبالجملة الشيء صار متمولاً بمجرد حدوث التقاضا ، ويخرج المتمول عن كونه كذالك بمعدوميته مطلقا ،

كما أن مراتب التمول أيضا تابعة لكثرة العرضة أو التقاضا (ص ١٦٤). " المكاسب المحرمة" ، المطبعة العلمية – قم – ايران ١٣٨٠ ه .

He also uses the concept of "مالية" when explaining the Hadeeth of الرسول صلى الله علية وآله وسلم "الناس مسلطون على أموالهم" and differentiating between the two concepts of " ملكية " and "مالية" in the first volume of his five-volume book " كتاب البيع " , first published in 1396 AH. Last printing 1415 AH by مؤسسة النشر الإسلامي - قم - ايران . See in particular Vol. 1 (pp. 331-345).

In studies of early Islamic history, among early sources deserving of attention by economists is the document referred to as the 'Constitution of Medina' showing how the Messenger صلى الله عليه وآله وسلم organized a multi-religion and multi-cultural society in Medina. For a brief paper on the subject, see "The Constitution of Medina" by R.B. Serjeant in *Islamic Quarterly*, Vol. 8-9, 1964-65 (pp. 3-16).

For an early historical source for the application of Islam's ethical rules for behavior, see Nasirean Ethics, translated into English by G.M. Wickens, George Allen, Unwin LTC, London. Nasir al-Din Tusi who wrote in 633/1235 is primarily concerned with human behavior and deals with concepts of rationality, reason, justice, and equilibrium and how all creation "is called to ascend the hierarchy of grades within the limits of capacity. This ascent is the end of all existence, and it is by reference to man's potentially supreme elevation that this behavior is to be determined" (p. 11) Tusi deals with individual's behavior in relation to the Creator and the Creation, then at the economic level and, finally, as a member of the community. See also Nasir al-Din Tusi on Finance by M. Minovi and V. Minorsky in *The Bulleting of the School of Oriental and African Studies,* Vol. X, 1940 (p. 755).

For a review of Muslim philosophers see: Henry Corbin, History of Islamic Philosophy, translated from French into English by Liadain Sherrard, published by *Kegan Paul International*, New York, 1993, which covers the philosophical and ethical views of a large number of Muslim philosophers. Ibn Sina (born 370 AH / 980 AD) exerted considerable influence in Medieval Europe through his book "القانون" (Qanun), his chief medical work which was used as a text book in France until the sixteenth century. But his main contribution to scholastic thought was in harmonizing reason with revelation. See Avicenna: His Life and Works by Soheil M. Afnan, published by George Allen and Unwin Ltd, 1958, particularly his Chapter 9 on "Avicenna and the West."

[33] See Edmond Phelps on "Distributive Justice" in the World of Economics (pp. 164-167), *The McMillan Press*, 1991. On justice, see R. Vaitheswaran, "The Evolution of Economic Theory of Justice from Sidgwick to Rawls and Hayak," paper presented at the Midwest Economic Association Meetings, April 7-9, 1983. Equality, Moral Incentives, and the Market by Joseph M. Carens, *The University of Chicago Press, Chicago and London*, 1981, discusses the conditions under which moral incentives, combined with 'a private-property market' can yield an egalitarian system. See also,

W.W. Baldwin <u>Social Justice</u>, *Pergamon Press*, Oxford, 1966. The paper by Amartaya Sen "Well-Being, Agency and Freedom, *The Journal of Philosophy* Vol. LXXXII, No. 4, April 1985, pp. 169-221 contains ideas on agency freedom, well-being and its definition problem of interpersonal comparison of utility, and the notion of welfare. See John Arthur and William H. Shaw, ed. <u>Justice and Economic Distribution</u>, *Prentice Hall*, Second edition, 1990. This is a collection of essays discussing economic justice from a contractarian, libertarian, and utilitarian points of view. It is interesting to note that in all these approaches, justice is considered as a part of morality in contrast to Islamic thought that considers to act morally in accordance with the rules prescribed by the Law Giver is to be just. Further on economic justice, see Samuel T. Phillips "Some Economic Implications of John Rawl's Theory of Justice" in P*ublic Finance Quarterly*, Vol. 3, No. 1, January 1975. It is a useful economic hermeneutics of Rawl's theory and interprets Rawl's position as falling "some where between those of egalitarianism and meritocracy, the exact degree of egalitarnism depending on the impact of just institutions" (p. 84).

[34] It is important to compare and contrast the discussion of justice in the economic discipline and in Islam. Whereas the former looks at various dimensions and concepts of justice as a systemic phenomena, i.e., allocations, exchange, market, distribution system, the latter considers them to be first and foremost as part and parcel of individual's adherence to and implementation of the 'rights' of others. There is a specific right for every dimension of individual's behavior. As a member of a family, as an employer/employee, as a member of a community, there are rights for the individual and there are rights for all those with whom the individual interacts. One of the earliest sources of Islam in which these rights are systematically catalogued and defined is the " رسالة الحقوق " of Imam Zain ul Abedeen who lists 47 rights (see note 1 above).

[35] One of the most comprehensive collection of ideas from the sacred sources on a wide spectrum of concepts from ontology and epistemology to economic rules that are relevant to all dimensions of individual and collective behavior is a six volume work:

<u>الحياة : موسوعة ، إسلامية ، عملية ، موضوعية ، تخطط مناهج الحياة الحرة الصاعدة ، للفرد والمجتمع ، وتدعو إلى دعم نظام أنساني صالح في جميع آفاق الأرض</u> – مكتب نشر الثقافة الإسلامية – طهران .

The book makes a most valuable contribution to Islamic economics through a collection of economic-related ideas from the sacred sources.

Among Muslim social critics is Malek Bin Nabi whose penetrating and clear analysis in the 1970s on the ills of Muslim societies demonstrates numerous valuable insights. Gratitudes are due to Dr. Mohammad Finaish for providing some of the works of Bin Nabi to the author of this note. What follows is from one of his books in which the self-imposed constraints on thinking by Muslims, and deviations between the ideal and actual Muslim behavior, are analyzed as causes of backwardness.

مالك بن نبي : <u>مشكلات الحضارة : مشكلة الأفكار في العالم الإسلامي</u> : ترجمة الدكتور بسام بركة والدكتور أحمد شعبو – دار الفكر – دمشق – سورية ١٤٠٨ ه / ١٩٨٨ م.

He notes a negative evolution of the Muslim community as follows:

"إنها لحظة الأفكار الميتة وبعد أن عاش المجتمع الإسلامي اللحظة المجيدة عند ولادة حضارته ، لحظة (أرخميدس) لأفكاره المطبوعة في عصر الرسول ، أو الخلفاء الراشدين ، وأفكاره الموضوعة في الفترات المضيئة لدمشق وبغداد ، فإن المجتمع الإسلامي يعيش فترة الصمت ، إنه صمت الأفكار الميتة" (ص ٧٤) . "فالمجتمع الإسلامي يدفع اليوم جزية خيانته لنماذجه الأساسية . فالأفكار – حتى تلك التي نستوردها – ترتد على من يخونها وتنتقم منه" ...... " إنها اللحظة المؤلمة حيث المسلم منشطر إلى شخصين : المسلم الذي يتمم واجباته الدينية ويصلي في المسجد ، ثم المسلم العملي الذي يخرج من المسجد ليغرق في عالم آخر" (ص ٧٥) ....... فالمجتمع الإسلامي قد أدرك منذ قرن نهاية أشواط حضارته . وهو اليوم من جديد في مرحلة ما قبل الحضارة . ومنذ قرن تقريبا يحاول أن يتحرك من جديد لكن إقلاعه يبدو صعباً بالمقارنة مع مجتمع (معاصر) كاليابان ، أو مجتمع جاء إقلاعه متأخرا عنه ، كالصين الشعبية . وهذه الصعوبات قد فسرت بطريقتين مختلفتين : بالنسبة لأنصار الموضوعة الاستعمارية فإن عامل التأخر عن الإقلاع هو الإسلام . وبالنسبة لأنصار الموضوعة القومية فإن الاستعمار هو المسئول عن ذلك . وفي كلا التفسيرين عيب أساسي لغموض في أساسه . فالأولون إذ يضعون كل شيء على ظهر الإسلام ، يريدون أن ينسوا أن الاستعمار مسئول عن النصيب الأكبر من الفوضى الحالية للمجتمع الإسلامي . والآخرون الذين يحملون الاستعمار كل شيء ، يريدون أن يطمسوا (ديماغوجيتهم ) التي تخفف شيئا من حدة المشكلة ، بل إنها على العكس تزيدها . الأولون يتناسون الواقع التاريخي بتجاهلهم الدور الذي قام به الإسلام في إحدى أعظم حضارات الإنسانية . والآخرون يجهلون أو يتجاهلون أن الدول الإسلامية الأكثر تخلفا هي بالتحديد الدول التي لم تواجه تحدي المستعمر (كاليمن مثلا ) (ص ٧٧ – ٧٨) ...... في عصر الإنتاجية : لا يكفي أن نقول الصدق لنكون على حق ، وليس من الحكمة اليوم أن نقول : اثنان زائد اثنين يساوي أربعة ، ثم نموت جوعا ، والى جوارنا شخص آخر يقول : إنها لا تساوي سوى ثلاثة ، ومع ذلك يضمن لنفسه لقمة العيش . إن روح التلقين التي تطبع هذا العصر تؤدي إلى تأكيد خطأ الأول ، وصحة الثاني . ففي منطق هذا العصر لا يكون إثبات صحة الأفكار بالمستوى الفلسفي أو الأخلاقي ، بل بالمستوى العملي : فالأفكار صحيحة إذا هي ضمنت النجاح . (ص ١١١) . ولا يكفي أن نعلن عن قدسية القيم الإسلامية ، بل علينا أن نزودها بما يجعلها قادرة على مواجهة روح العصر . وليس المقصود أن نقدم تنازلات إلى الدنيوي على حساب المقدس ، ولكن أن نحرر هذا الأخير من بعض الغرور الاكتفائي والذي قد يقضي عليه . بكلمة واحدة ، ينبغي العودة ببساطة إلى روح الإسلام نفسها ، ولم يترك الرسول صل الله عليه وسلم فرصة واحدة تمر دون أن يحذرنا من مثل هذا التمسك والاكتفاء الذي نعرف اليوم آثاره المعوقة للنمو الاقتصادي في المجتمع الإسلامي الحالي . فبعد عودة الرسول صل الله عليه وسلم من إحدى الغزوات وسط شهر رمضان وكانت مشقة الصوم كبيرة على الصائمين ، نراه يعزو الفضل في الانتصار إلى الذين أفطروا في ذلك اليوم ، فالشريعة أباحت لهم الإفطار لمواجهة وإعداد ما تحتاج إليه القافلة في السفر . ونحن اليوم أكثر من أي يوم مضى بحاجة للتذكير بهذا الهدى النبوي الذي يعطي في حالة معينة الأولوية لفضيلة الفعالية على فضيلة الأصالة . ومن المناسب أن نشير إلى هذا الجانب من الفعالية الإسلامية في الوقت إلي تقارن التقاليد الإسلامية بخبث بالقيم العملية للبلاد الصناعية لإثبات عدم صلاحية الإسلام في القرن العشرين . فالمجتمع الإسلامي مدعو لأن يستعيد تقاليده العليا ومعها حس الفعالية . ومن أجل أن يثبت العالم الإسلامي بمنطق العصر بأن أفكاره صحيحة لا توجد غير طريقة واحدة هي إثبات قدرته على تأمين الخبز اليومي لكل فرد . وبمعنى آخر – ولن نمل التكرار – فالمسألة ليست مسألة وسائل وإنما مسألة مناهج وأفكار . والمجتمع الإسلامي يستطيع أن يستعيد فعاليته بأن يضع دفعة واحدة في أساس تخطيطه مسلمة مزدوجة : (أ) – كل الأفواه يجب أن تجد قوتها . (ب) – جميع الأيدي يجب أن تعمل . عندئذ سوف لا تكون أفكاره مثقلة بعدم الفعالية ، لأن الأيدي سادرة في تحريك عجلة ديناميتها الاجتماعية. والمدافعون عنه سيأخذون باعتبارهم : أنه ليس المطلوب الدفاع عن أصالة الإسلام ، بل مجرد إعادة فعاليته إليه بتحريكهم قواه الإنتاجية .

فالفكر الغربي يجنح على ما يبدو أساسا إلى الدوران حول مفهوم الوزن والكم . وهو عندما ينحرف نحو المغالاة فهو يصل حتما إلى المادية في شكليها : الشكل البورجوازي للمجتمع الاستهلاكي ، والشكل الجدلي للمجتمع السوفيتي . وحينما يكون الفكر الإسلامي في أفوله كما هو شأنه اليوم فإن المغالاة تدفعه إلى التصوف ، والمبهم ، والغامض ، وعدم الدقة ، والتقليد الأعمى ، والافتتان بأشياء الغرب . لكن هذا ليس مداره الأصلي ففي الأصل حينما أعطاه القرآن اندفاعه الأولي

اتخذ الفكر الإسلامي مداره أساسا حول فكرة واحدة تكون حينا "حب الخير" وحينا آخر " كره الشر" . تلك هي رسالة الفكر الإسلامي عبر عنها القرآن الكريم بقوله :
"كنتم خير أمة أخرجت للناس تأمرون بالمعروف وتنهون عن المنكر وتؤمنون بالله ..." [ آل عمران : ٣ / ١١٠ ] . فالمسلم مكلف بحمل تلك الرسالة ، في الجليل من الأمور والصغير منها (ص ٢٤ – ٢٥) ."

فتقسيم التركة عند وفاه صاحبها هي بلا ريب ظرف اجتماعي عادي . لكن انظر ما يقول القرآن فيه :
"وإذا حضر القسمة أولوا القربى واليتامى والمساكين فارزقوهم منه ..." [ النساء : ٤ / ٨ ] .

قد يقال لنا : إن هذا حكم يمكن أن يرد في كل قانون مدني تقدمي . هذا صحيح ، لكن القرآن يرغب بأكثر من هذا . فهو لا يريد أن يقوم المجتمع بتقسيم المال كآلة توزيع القطع المعدنية ، فهذا شيء يستطيع المجتمع الاستهلاكي أن يفعله . لكن ينبغي على المجتمع الإسلامي أن يفعل أكثر من توزيع أموال تركة ، وذلك بأن يوزع في الوقت نفسه الخير . فالآية التي استشهدنا بها قد تعمدنا ذكرها ناقصة لنبين ما يمكن أن تشترك فيه مع تشريع مدني لكن الآية تنتهي بتوصية أخرى ، بحكم آخر : ".. وقولوا لهم قولا معروفا" [النساء : ٤ / ٨ ] .

الآن اكتملت الآية : وزعوا أموالا طبعا ، لكن أضيفوا إليها فكرة ، أو كلمة ، أو لفتة تعبر عن شعوركم ، عن مفهومكم ، عن فكرة (الخير) عندكم ، إن هذه التكملة ذات الصبغة الروحية الخالصة ، لا يمكن تصورها في أي تشريع مدني . إنها تعطى للرابط الاجتماعي النابع من الفكر الإسلامي طابعا خاصا يجعل وجود ما يسمى (التناقضات) ظاهرة غير قابلة للتفسير في المجتمع الإسلامي .

He notes that deviation between the ideal behavior and actual behavior existed in the early days of Islam:

" ... فهذه تحولات في الإطار النفسي تقود إلى أديم الحياة الاجتماعية ، تحولات اقتصادية وسياسية . ذلك أن العامل النفسي يسبق العامل الاجتماعي ويتحكم به . فكيفما تناولنا الموضوع نقع دائما على المبدأ الذي يعبر عنه القرآن الكريم "إن الله لا يغير ما بقوم حتى يغيروا ما بأنفسهم " [الرعد : ١٣ / ١١] . فالآية الكريمة تحوي في طياتها سائر النتائج التي يمكن أن نستخرجها من انتقام الأفكار المخذولة . فالتحولات النفسية التي تدخل في الاطراد وتصبح بادية في المستوى الاجتماعي والسياسي تنشأ في مستوى الدوافع التي تتحكم في السلوك . وهذا ما نلاحظه بوضوح تام في المسيرة التي قادت المجتمع الإسلامي بعد عام (٣٨) للهجرة نحو أفول الروح الديمقراطية . ومما يسجل أعراض هذا التحول ذلك الفتور الذي فصم روح التراحم في قلب عقيل ، أخي علي كرم الله وجهه ، في صراع هذا الأخير مع معاوية . وقد فسر سلوكه الغريب بطريقة أغرب حينما قال : "إن صلاتي خلف علي لأفضل ، وطعامي عند معاوية أكثر لذة " . ونحن نرى هنا انفصاما في الواقع الذاتي الذي حرك الرعيل الأول من صحابة رسول الله صل الله عليه وسلم وهذا الانفصام سيكون أكثر وضوحاً بعد مرور عشرين عاما أي عندما رضخ الحسين لإلحاح أهل الكوفة مناصري والده القدامى ، فخرج من المدينة. وحاول ابن عباس ابن عمه الذي رافقه شطراً من الطريق أن يثنيه عن عزمه بقوله : "هؤلاء الناس سيخذلونك كما خذلوا أباك ، لا تصدقهم فإن قلوبهم معك وسيوفهم مع يزيد " . هذا التوضيح عبر شاهد من ذلك العصر موضوعي النظرة ، وشهادته أثبت التاريخ صدق أحداثها واحدة واحدة ، تعطينا اليوم سر ذلك الانفصام في الدافع . إنه ينبئ عن ثنائية قسمت المسلم قسمين : صلاته من ناحية ، وطعامه من ناحية أخرى ، قلبه من ناحية ، وسيفه من ناحية أخرى . لم نكن إذ ذاك إلا في منطلق اطراد المنحدر ، إنما في الحالتين التي أشرنا إليهما نستطيع أن نقيس الابتعاد عن المبدأ الذي أقره القرآن الكريم "قل إن صلاتي وتسكي ومحياي ومماتي لله رب العالمين ، [الأنعام ٦ / ١٦٢] . فالانطلاق من هذه الآية هو إذن انطلاق من مبدأ ، فكرة ، نموذج لعالم ثقافي تأسس بالقرآن ، وقد بدأنا نسجل منزلقا ته الأذلة و(انحرافه) الأولى – كما يقال اليوم – في سلوك المسلم" (ص ١٥٦ – ١٥٧) .

## THE ISLAMIC DEVELOPMENT BANK (IDB)

**Purpose**

The purpose of the Bank is to foster the economic development and social progress of member countries and Muslim communities individually as well as jointly in accordance with the principles of *sharī'ah* ( Islamic Law )

**Functions**

The functions of the Bank are to participate in equity capital and grant loans for productive projects and enterprises besides providing financial assistance to member countries in other forms of economic and social development. The Bank is required to establish and operate special funds for specific purposes including a fund for assistance to Muslim communities in nonmember countries, in addition to setting up trust funds.

The Bank is authorized to accept deposits and to raise funds in any other manner. It is also charged with the responsibility of assisting in the promotion of foreign trade, especially in capital goods, among member countries, in providing technical assistance to member countries, in extending training facilities for personnel engaged in development activities and in undertaking research for enabling economic, financial and banking activities in Muslim countries to conform to the *sharī'ah*.

**Membership**

The present membership of the Bank consists of 55 countries. The basic condition for membership is that the prospective member country should be a member of the Organization of the Islamic Conference (OIC) and be willing to accept such terms and conditions as may be decided upon by the Board of Governors.

**Language**

The official language of the Bank is Arabic, but English and French are additionally used as working languages.

ISLAMIC RESEARCH AND TRAINING INSTITUTE
A MEMBER OF THE ISLAMIC DEVELOPMENT BANK GROUP

P.O. Box: 9201, Jeddah 21413, Kingdom of Saudi Arabia
Tel: +966-2-6361400, Fax: +966-2- 6378927, 6366871
E-mail: irti@isdb.org
Website: www.irti.org

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